

MARCH 1978

# Nation's Business

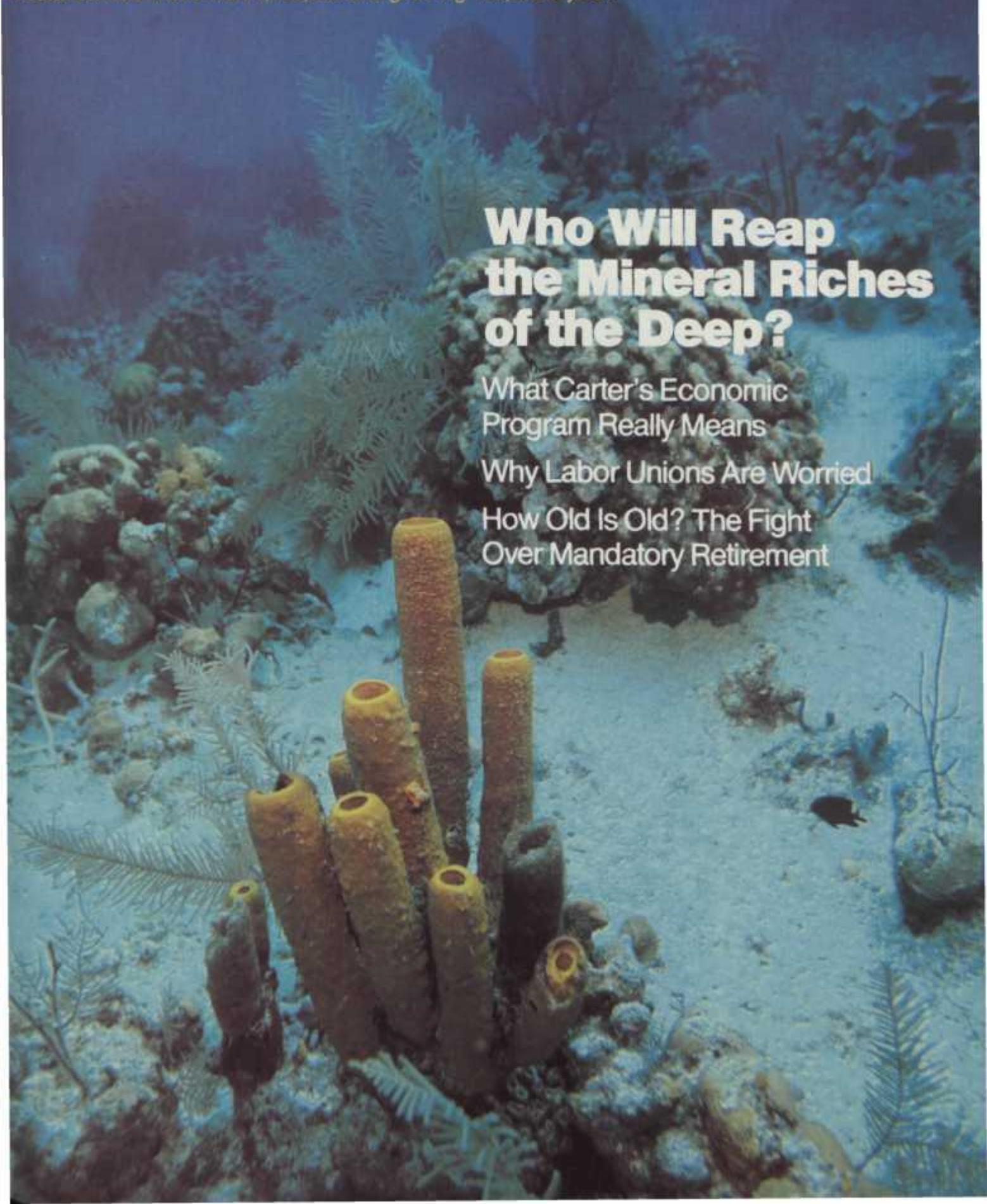
Circulation now more than 1,130,000 and growing 100,000 a year.

## Who Will Reap the Mineral Riches of the Deep?

What Carter's Economic  
Program Really Means

Why Labor Unions Are Worried

How Old Is Old? The Fight  
Over Mandatory Retirement





**The butler did it.**



# Printer Break-through

HATS OFF TO IBM

*A new 10-digit display calculator with the world's first dual-element integrated printing head will revolutionize the printing calculator.*

*The full-featured \$89.95 Canon P10-D with its one-year parts and labor limited warranty is the greatest printer value ever offered by JS&A.*

Hats off to IBM. Their single-element typing system did away with typewriter keys and started a new technology.

The new Canon P10-D printing calculator starts another new technology. Their dual-element printing system does away with the standard printing head which required a separate disc for each column. The Canon has only two discs—one with digits and the other with symbols.

The P10-D head weighs only 1/2 ounce compared to 31 ounces in a typical printing head. Its motor weighs only nine ounces—again much less than the heavier conventional motors required to drive larger heads. The Canon motor is smaller, lighter and more efficient because it moves less weight.

## THE MOST EFFICIENT SYSTEM

The printing head is controlled by an LSI (large-scale integrated circuit). As you press a key, a pulse is generated from this circuit and sent to the motor which does two things: 1) positions the two discs to print the numbers or symbols and 2) glides the numeric disc across the ten column width of the paper.

Conventional printers print from metal discs through thick fabric ribbon onto paper. The Canon system prints directly on paper so each impression is sharp, clear and easy to read. The synthetic polymer disc is first inked by a special cartridge before it prints. Each ink cartridge is easily replaceable. The cartridge lasts for more than 15 rolls of paper at a cost of 17¢ per roll—far less than any other system.

## PLAIN PAPER PLUS

Using standard paper tape is only one of several advantages that make the Canon a truly spectacular value. Here are some other exciting new features:

**Dual Power** Operate the Canon from either your AC outlet or its built-in rechargeable batteries. It's totally portable, yet it also makes a handsome desk calculator.

**Dual Display** Just flip a switch and the 10-digit large green fluorescent display can be used with or without the printer.

**Space-Age Styling** Compare the sleek appearance of the Canon with any other printer. It's small enough to fit in your briefcase and large enough to use as a space-saving desk unit. It measures only 1 1/4" x 4 1/4" x 8 1/2", weighs only 24 ounces and the paper tucks into the body of the unit—perfect for travel.

**Buffered Keyboard** If you enter your prob-

lems faster than the printer can print them out, don't worry. The unit's memory stores your keystrokes and prints them out in rapid succession.

We have always looked at small printers as gimmicks—calculators that lack many important features. We were surprised with the Canon. It has features that far exceed most printers costing hundreds of dollars more.

The following is a list of those features: 10 digit capacity • full four-key memory • addition, subtraction, multiplication and division • percentage key • add-on and discount calculations • power and reciprocal calculations • repeat calculations • add-mode • switch for full-floating or second and third fixed decimal positions • round off or round down switch • paper tape advance.

There are other convenient features that make it perfect for people who spend hours at their calculators. There's a three-digit item counter that counts and prints out the number of entries while printing your total. The symbols on the right side of the tape tell you the nature of each entry. Even in its battery

operated position, you could print out more than half a roll of tape before the unit signals you that its batteries are low.

## A NEW WAY TO BUY

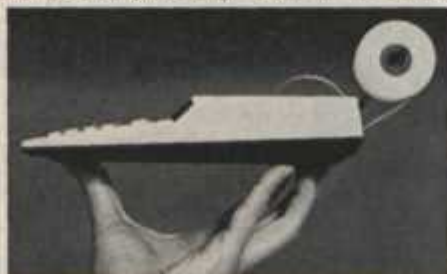
JS&A offers you a new way to buy your 10-digit Canon P10-D. First we give you the opportunity to use one for 30 days. Carry it in your briefcase. Put it on your desk and see how handy it becomes and how little space it takes up. Check the paper tape and see how clear and easy-to-read it is. Bring it home and let the whole family use it.

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JS&A is America's largest single source of space-age products. We have been in business for over a decade—further assurance that your modest investment is well protected. Canon is one of the world's largest manufacturers of cameras and precision quality instruments and is highly respected as a quality manufacturer of electronic products.

The Canon costs only \$89.95 plus \$2.50 for postage and handling and includes a free roll of tape, one ink cartridge, rechargeable batteries and a power cord/charger. It's an incredible value thanks to its new technology. To order, send your check to the address below (Illinois residents add 5% sales tax) or credit card buyers may call our toll-free number.

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*The direct-impression dual discs print cleaner and sharper on conventional paper tape.*

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# Nation's Business

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Nation's Business is the "business advocate" magazine leading the effort to strengthen the vitality of the private enterprise system.

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# "Smoking. Here's what I'm doing about it."

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## The Impact of the Population Implosion

TEN YEARS AGO this spring, a California scientist, Paul R. Ehrlich, published a slim but significant book, "The Population Bomb." He scared his countrymen silly. His thesis was that "mankind will breed itself into oblivion," and he saw population control as the only answer to mass starvation. Mr. Ehrlich's book went into 28 printings, sold two million copies, and led to the whole movement for zero population growth.

Among other things, Mr. Ehrlich triggered a thousand articles in the popular press on "the population explosion." Whenever a jaded feature writer could find nothing else to write about, he wrote about the horrifying prospects for India, or Africa, or Central America, or wherever. These pieces still are being written. The "Chicago Tribune" in January carried a



long article, based upon data from the Population Reference Bureau, reminding us that India will double its population in 33 years, China in 41 years, Pakistan in 24 years, and so on. Just about everyone is generally aware of the population explosion.

SUCH EMPHASIS upon explosive growth in some areas has been fully justified, but it has obscured an opposite trend in other areas. Comparatively little has been reported about the population implosion that is occurring in the United States, in parts of Scandinavia, and in other nations identified with the Western world. The figures are equally dramatic, equally sobering, and equally to be treated with skeptical caution. There is nothing wrong with the demographers' arithmetic; it is only that birth rates and fertility rates cannot be precisely extrapolated from what has gone before.

Nevertheless, with that word of caution on the record, attention may properly be directed toward a phe-

nomenon of profound importance to every business leader or public official who must plan 20, 30, or 50 years in the future.

Almost without realizing it, the United States has drifted toward Mr. Ehrlich's goal of zero population growth. The fertility rate within our dominant population group—the WASPs, or white, Anglo-Saxon Protestants—has dropped alarmingly. Catholic and nonwhite reproduction rates, while higher, also are trending down. The Jewish community within the United States, statistically speaking, is threatened with extinction within a few generations.

These are the elementary figures:

Year	Total Births	Rate *
1955	4,047,295	24.6
1960	4,257,850	23.7
1965	3,760,358	19.4
1970	3,731,386	18.4
1973	3,136,965	14.9
1974	3,159,958	14.9
1975	3,144,198	14.8
1976	3,165,000	14.7

\* per 1,000 population

Preliminary indications are that there was an upswing in 1977 in total births and in the birth rate also, but the long-term trend is too clear to be challenged. In any event, demographers are less concerned with a fluctuation in a country's birth rate in any one or two years; their concern goes to fertility among women in the 15-44 age bracket over a long period of time. Within the United States, the fertility rate—that is, total births per woman in her lifetime—has dropped to an alarming 1.8 births. Our national growth rate has slowed to 0.8 percent.

The growth rate for all of Europe is even less: 0.6 percent. The rate in Denmark and Finland and Sweden is 0.4, in Belgium and West Germany 0.1, in Great Britain and Austria a flat zero. These implausible figures contrast with the explosive figures that have staggered the imagination since Mr. Ehrlich so successfully publicized them a decade ago. South Africa is growing at three percent per year and will double its population in 23 years. Most of Asia is growing at 2.4, Latin America at 2.8. If present trends continue, Mexico's population of 62.6 million will double by 1997.

IT IS NO particular trick to explain the why of these disturbing trends within the United States. As recently as 1940, only 13.8 million women were numbered among the total labor force. The figure is now estimated at about 38 million, and two thirds of them are married; many of these working women want one

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or two children at most, and some want no children at all. There is every indication that these trends will continue; the social and intellectual forces identified with "women's liberation," coupled with the economic desire to have two paychecks within a single family, are bound to have a depressing effect upon population growth.

The ease, effectiveness, and increasing acceptability of birth control measures provide another factor in the equation. With the legalization of abortions, by reason of a landmark Supreme Court opinion five years ago, an estimated million births a year are prevented. The high costs of medical care, housing, and education doubtless serve in many cases as a deterrent to large families. Fashion has something to do with it: Six or eight or ten children in a family long ago ceased to be in style. The marriage rate increased perceptibly in 1977, but it has been in a steady decline. On the average, women are marrying later in life. Put the factors together, and they add up to a major consideration of whither we are drifting.

**T**HE IMPLICATIONS reach into every aspect of American life. Politics is my beat. Looking down the road to a time when a much larger proportion of our population will be 65 and older, I can see some political crises of great magnitude. What will happen to Social Security 20 or 30 years hence, when a relatively smaller proportion of productive young people will be asked to bear the burden of the older, nonproductive people? It is not hard to contrive a political scenario in which the oldsters combine with the welfare recipients to form a coalition in direct conflict with young workers rebelling against confiscatory taxation.

If a stagnant economy is to be avoided, millions of workers will have to be imported—legally or illegally. The magnitude of our problem with illegal aliens is not widely understood. Justin Blackwelder, president of The Environmental Fund, has cited conservative estimates that, in 45 years, "if present trends continue, half of the people in the United States will be illegal aliens." A study by the General Accounting Office last December indicates that as many as 1.3 million illegal aliens entered the U. S. last year from Mexico alone. At one border point in April of 1977, immigration officers apprehended 2,897 illegal aliens in a 36-hour period. They estimated that an equal number got away. The time and the difficulty that will be involved in assimilating aliens into our political values scarcely can be underestimated. In many parts of the country, schools are likely to become more polyglot as time goes by.

Political and educational changes are only part of the demographic picture. If the trend toward implosion continues, and social services demand an increasing share of the federal budget, other interests will have to yield. The proposed budget for 1979 already allocates \$119 billion, nearly 25 percent of the total, for elderly persons, including federal retirees. Ten years ago, they got \$25 billion, or 14 percent, of a \$184 billion budget. The share available for national defense must grow progressively smaller. How do we plan for the armed forces in 2000?

In an essay prepared two years ago for the Army War College, Col. Robert de Marcellus, of Florida,

posited that "drastic revisions in strategic thought would be required." Our armed forces at the turn of the century "may be very similar to those of the United Kingdom today—strategic nuclear deterrent forces backed by a very small Army force."

The economic consequences of zero population growth cry out for careful reflection. Throughout its history, America has built on a growth economy, in which expansion fueled additional expansion. In another generation, assuming that trends of the past generation continue, economic growth within our own indigenous population will have slowed dramatically.

**O**N THIS POINT, Col. de Marcellus has written: "A good case could be made for zero population growth. However, it could only be achieved without disastrous economic and social consequences if it were achieved very slowly and both the society and the economy could adjust to the loss of growth and lower standard of living that it entails. To reach a zero population growth fertility . . . too fast may be likened to traveling at 25 miles per hour. Such travel is safe by itself. But if the vehicle reaches this speed by instantaneous deceleration from 300 miles per hour, it will kill the traveler."

Prof. Boone A. Turchi, of the University of North Carolina, one of the leading demographic experts in the nation, has noted that the trend to zero population growth "will have a profound effect upon the financial markets of the United States." Pension systems obviously will be directly affected. Household savings trends will alter. New construction, new plant and equipment investment, and consumer loans will have to be reconsidered. The role of the national debt, Prof. Turchi believes, may markedly change. The federal government "may have to serve in a much larger way as a stimulant to aggregate demand in order to maintain full employment and economic growth."

Let me return to the note of caution I sought to sound earlier. The business of making long-range population predictions is more of a science than an art, but it is not an exact science. In recent years, most of the experts have grossly overestimated population growth. Carried away by their own extrapolations, they have tended to forget that past growth has been in large part the result of increasing life expectancy and the doubling up of living generations. These phenomena are not likely to recur, though life expectancy will continue to increase marginally as standards of nutrition and medical care improve. The prophets of implosion also could be mistaken in their pessimistic forecasts. Justin Blackwelder, to mention only one critic, feels the prospects of decline are nothing to be worried about.

**E**VEN SO, here in the United States the moving finger writes. We know—we need not guess—how many females have been born in the past 15 years and now enter the childbearing period. And we know—we need not guess—that they are many fewer than were born in the preceding 15 years. At every hand we witness the social and economic influences that tend to keep families small. And in our concern for the teeming masses of India, we ought to reserve some concern for a quite different prospect here at home. □



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## A LOOK AHEAD FROM WASHINGTON

### Many More Measures Are on Meany's Shopping List

Organized labor has another bushel basket of changes it wants made in the National Labor Relations Act.

The first batch, contained in S. 2467, the so-called Labor Reform Act, is in the Senate.

There is no certainty that these changes, which deal with organizing employees, will be approved. But whether or not they are, other amendments to the act which the AFL-CIO has its heart set on are waiting in the wings.

AFL-CIO President George Meany says the next push will be for revisions pertaining to strikes and boycotts and, of course, for repeal of section 14b, which allows states to enact right-to-work laws.

Passage of S. 2467, warn business leaders, will give organized labor the clout to press also for passage of the Humphrey-Hawkins Full Employment and Balanced Growth Act, for a bill that would grant state and local government workers a federally protected right to strike, for a measure that would bring farm laborers under the National Labor Relations Act, and for legislation that would restrict plant closings and relocations.

Further, organized labor seeks changes in equal employment opportunity enforcement. It wants to give the Equal Employment Opportunity Commission broader jurisdiction or to consolidate all federal functions in this area into a new agency.

Other goals of organized labor: Bring white-collar and professional employees under the Service Contract Act, which requires payment of prevailing wages by employers with government contracts for services; fully federalize both workers' compensation and unemployment compensation; and reduce the standard workweek to 35 hours, with overtime pay jumping to double time instead of time and a half.

### OSHA to Focus on Cancer and Employee Guarantees

While a prime focus of the Occupational Safety and Health Administration will be to follow through on its announced intention of getting rid of nit-picking regulations, look for a heavy emphasis on carcino-

gens and on a new OSHA favorite—a concept which the agency calls rate retention.

Under rate retention, an employer would be forced to remove an employee from the workplace if the employee has been affected by toxic substances—for example, if the level of lead in the worker's blood exceeds the OSHA-set limit. Then the employer would have to indefinitely provide the employee with the same level of pay and extra benefits and would be required to keep the employee at the same seniority level.

This concept is likely to be included in all new OSHA health standards, including those for cancer.

Business organizations are concerned about the impact of the practice because there would be little incentive for the employee to return to work. And if the employee did return, the seniority provision would allow him to bump his replacement.

### Vigorous Merger Activity Is Forecast This Year

Business merger activity, which was down in the first half of 1977, rebounded in the final half and is expected to stay strong in 1978.

This report comes from W. T. Grimm & Co., of Chicago, which serves as an intermediary in purchases and mergers of companies.

Willard T. Grimm, president of the firm, says mergers last year, which numbered 2,224, were down two percent from 1976. The major reason was a substantial decrease in sales of subsidiaries and divisions. Such sales accounted for 45 percent of mergers last year, compared with 53 percent in 1976.

There has been a trend toward more public takeovers, in which tender offers are made to buy a controlling share of a company's stock. Mr. Grimm says the trend has been stimulated by a rise in corporate liquidity, the high cost of capital replacements, and the lower stock market. Corporate buyers would rather invest their cash in asset-rich companies than build new facilities, he points out.

According to the firm, the five business categories with the largest number of mergers last year were: finance, banks, and insurance, 291; general services, 266; wholesale and retail, 190; food processing and agriculture, 134; and machinery and equipment, 116.

## SBA Keeps Ceiling on Most Local Development Loans

Although Congress has authorized raising the ceiling for local development company loans to \$500,000 from \$350,000, the Small Business Administration says it plans to keep most of the loans below the new maximum.

Normally, SBA says, it will make direct or participatory loans of no more than \$350,000 to companies established to bring new businesses to an area. The agency says it will go above that amount only in exceptional cases, when the loan furthers at least two public-policy objectives.

SBA so far has announced eight such objectives: Construction of medical facilities, the need for which has been certified by appropriate local authorities; conservation or production of energy; creation or preservation of jobs; performance of a specific government contract; stimulation of the economy of a labor surplus area; conservation of natural resources; improvement of mass transit facilities; and economic development of depressed urban or rural areas.

Sticking to the \$350,000 limit in most cases is in compliance with the intent of Congress, SBA says.

## Federal Commission Would Concentrate on Alcohol Fuels

The feasibility of mixing gasoline and alcohol as a fuel for automobiles is slated for more attention as the nation grows increasingly dependent on foreign oil.

Sen. Birch Bayh (D.-Ind.) is a leading exponent of the concept of extending gasoline with alcohol distilled from grain and other farm or forest products. He has introduced a bill, S. 2400, to create a National Alcohol Fuels Commission. The commission would make a full-scale study of alcohol fuels' potential, reporting back to the Congress no later than Dec. 31, 1980.

Ethanol, an alcohol fuel, can be produced from corn, wheat, milo, sugar beets, sugarcane, potatoes, and crop residues. Methanol, another alcohol fuel, can be made from wood and from other forestry products, crop residues, municipal waste, and coal.

## State Taxes Soar Past \$100 Billion Mark

State tax collections jumped 13.2 percent in fiscal 1977 to top the \$100 billion mark for the first time.

The latest Census Bureau breakdown pegs the total at \$101 billion. More than half was in eight states: California, \$12.6 billion; New York, \$10.7 billion; Pennsylvania, \$5.6 billion; Illinois, \$5.3 billion; Michigan, \$4.8 billion; Texas, \$4.7 billion; Ohio, \$3.6 billion; and Florida, \$3.3 billion.

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A noticeable factor was a 26 percent increase in corporate income tax collections.

The top eight collectors of corporate income taxes were California, \$1.6 billion; New York, \$1.3 billion; Michigan, \$803 million; Pennsylvania, \$666 million; Massachusetts, \$397 million; Illinois, \$384 million; New Jersey, \$332 million; and Ohio, \$315 million.

Texas, which obtained 67 percent of its total taxes from sales and gross receipts taxes, has no corporate income tax. Nor do Nevada, Wyoming, and Washington.

## Acreage Inventory Shrinks, but Ample Cropland Is on Hand

The number of small family farms in the nation continues to decline and so does prime farmland acreage, but we still have a lot of cropland available, says the Department of Agriculture.

A decade ago, there were 3.2 million farms of all sizes, comprising 1.1 billion acres. This year, the number of farms is expected to decline 26,000 to 2.68 million and the acreage 2.67 million to 1.07 billion, according to the Agriculture Department's Crop Reporting Board.

The department, in a report on changes in cropland uses between 1967 and 1975, says that urban development has taken 17 million acres out of production permanently and that farmers and government have removed another seven million acres by creating ponds, lakes, and reservoirs.

About eight million of those 24 million acres were considered prime farmland. However, the department says 35 million acres are suitable for quick conversion to cropland if so desired, without having to provide for soil erosion or drainage.

## Radio and Television Become Eligible for U. S. Loans

Breaking with a long-standing prohibition, the Small Business Administration is going to make or guarantee loans to some "opinion molders," but not to others.

Small Business Administration loans will now be made for purchases of radio and television stations and cable television systems and for upgrading the equipment of such enterprises.

However, SBA will continue a ban on newspaper and magazine publishing loans. The agency's rationale is that cable TV and broadcasting are subject to government regulation to ensure fairness, but that newspapers and magazines are not.

The new loan policy can be expected to help people from disadvantaged backgrounds to operate in radio and television, but it will help people from other backgrounds, too, SBA says. The agency says loans will be granted strictly on the basis of merit. □

## A Dissent on Government Contracting Out

Your article, "One Way to Shrink Government Employment" [December], suggests that the federal government can save money and provide better services by contracting out more of its functions to private businesses.

But contracting out has been a terrible failure in state and local government. There is no reason to believe that the federal government will have better luck with private contractors than cities, states, counties, school boards, and sanitary districts.

Recently John Hanrahan, a former investigative reporter, completed a study of contracting out in state and local governments throughout the nation. The American Federation of State, County, and Municipal Employees helped finance the study, but did not control its content.

Mr. Hanrahan discovered that in

many communities public officials have tried contracting out public services and then have discontinued the practice after it failed.

In the area of trash collection alone, the Chicago Board of Education and the cities of Memphis; Cincinnati; Denver; Richmond, Va.; Rockville, Md.; and Warren, Mich., all halted private contracts after they concluded that public employees could do the job better and at lower cost.

Generalizing from the experience of many communities which contracted out many different public services, Mr. Hanrahan reached these conclusions:

- Frequently there is no competitive bidding for the contracts, and even where there is ostensibly competitive bidding, the costs are greatly inflated by bid-rigging practices and the prevalence of cost-plus contracts.

- Corruption is widespread in the awarding of contracts, and organized crime has infiltrated such industries as private trash collection.

- Contracting out is often wasteful and inefficient, with private firms that have little experience in public service nonetheless receiving contracts because of their political connections. Contractors often "save money" simply by cutting back services.

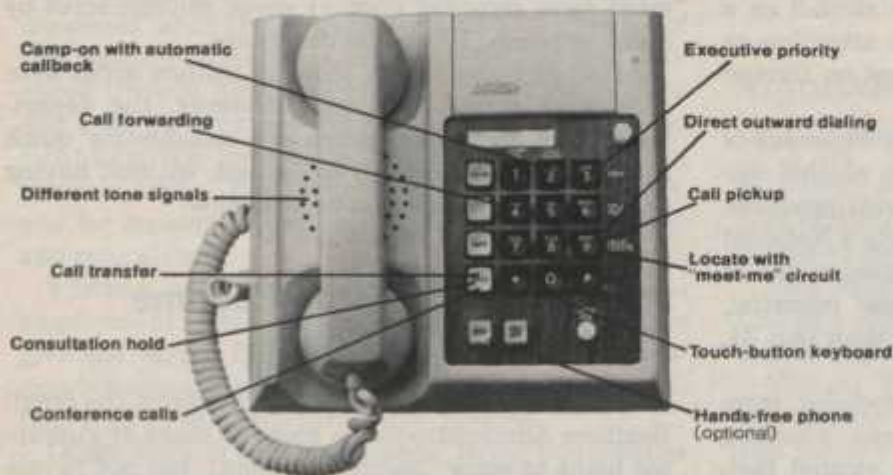
- Once a firm receives a contract, it wins a virtual monopoly for providing that service since it is able to buy necessary equipment which no other private company has and which the local government frequently abandons.

- Most important, a private contractor is insulated from public accountability for the quality of the service that the firm provides.

Before the federal government, or state and local governments, accelerate the trend toward contracting out public services, we challenge them to refute Mr. Hanrahan's findings—and produce a comparable weight of evidence that contracting out has been successful where it has been tried.

Copies of this study, "Government for Sale," are available from the AFSCME Public Affairs Department, 1625 L St. N.W., Washington, D.C. 20036.

MICHAEL DOWLING  
Director of Public Affairs  
American Federation of  
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### Arenas and stadiums

I have just read your article, "Sports Stadiums That Don't Burden the Taxpayers" [November].

During four years as a senior associate with Booz, Allen & Hamilton, Inc., I prepared comprehensive feasibility analyses for:

- A sports arena/stadium in Toronto, Canada, for the Ontario Jockey Club.
- A sports arena in Dallas for the city of Dallas.
- A football stadium in Oklahoma City for the Oklahoma State Fair Board.

The contention of your article ap-

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pears to be that private enterprise operates sports facilities cheaper or more efficiently than public agencies do.

But the article has an overall fallacy: You contrast privately owned and operated sports arenas with publicly owned and operated sports stadiums.

There is a basic difference in concept, use, and financial experience between an arena and a stadium. The sports arena is an enclosed facility which typically seats between 5,000 and 20,000 persons for indoor events such as basketball, ice hockey, ice shows, circuses, and music concerts.

The sports stadium is for outdoor events (even though several of the newer stadiums are enclosed) such as football and baseball.

Arenas can have 250 to 300 events a year, especially if there are both basketball and hockey teams playing in them. Football stadiums are lucky to get ten football games a year, and baseball stadiums have about 80 games a year.

If you want to be objective, you should compare public versus private ownership of the same kind of facility, either arena or stadium, and include a representative sample. Or you should cover all facilities, not just a few.

DAVID C. WILLIAMS  
Management Consultant  
Washington, D. C.

### A lesson from Britain

"Roots of Britain's Troubles" [December] should be required reading for every member of the labor-socialist majority which controls the United States Congress. To the extent of their labor-socialist leanings, activities, and pronouncements, the same should be true of the President of the United States and of every judge of any court, including the Supreme Court.

The parallel between Britain, as described in your article, and the United States, in its current condition, is so close that, with the omission of a few company names and other identifying data, one might find it difficult to determine which country was the subject of your article.

Every person with a governmental responsibility for the destiny of this nation should be encouraged by the article to return to the course of free enterprise and basic common sense.

A. EDWIN SHINHOLSER  
Attorney  
Sanford, Fla.

Your article mentioned that "25 years ago, Britain was the world's leading maker of motorcycles."

Then motorcycles were hard to start, had bad electrics, and leaky oil seals. If you didn't like it, Britain said, go buy elsewhere.

Almost everyone did.

EDGAR E. LUNGREN, JR.  
Attorney  
Chicago, Ill.

### More on the Panama Canal

After reading "A Landslide Vote for Keeping the Canal" ["Sound Off Response," January], I would like to offer a suggestion.

Why don't we arrange it so the Republic of Panama could become one of the United States? The ordinary people would be better off, and I'm sure the dictator would not be averse to being a U. S. senator. As a matter of fact, he would be less apt to be shot by one of his constituents.

EDMUND W. LOWE  
President  
Edwal Scientific Products Corp.  
Chicago, Ill.

Should the United States turn over the canal to Panama? It would be a national disgrace! We have Cuba for a thorn in our side. Let's not risk Panama.

PETER YEGER, JR.  
Peter Yeger, Jr., Agency  
Billings, Mont.

R. C. Rogan, of Dallas, states that a division of Marines could adequately defend the Panama Canal. I suggest this division come from Texas and be commanded by Mr. Rogan.

After viewing what Notre Dame did to Texas in the Cotton Bowl, it might be well if the boys from Texas stick with football. It is more pleasurable viewing collegiate gridiron battles than listening to reports of dead and wounded youth fighting a war over a worn-out canal.

Let's give the canal back to Panama.

HAROLD A. BILLINGS  
Superintendent of Schools  
Ladysmith, Wis.

### The secretary's role

I would like to read more about the boss's "right hand" than in the "Executive Trends" item, "Thumbs Down on Go-Fers" [January].

Let's hear more about the female employee who is given the sexist title of secretary because she has two additional skills, shorthand and typing. (apparently makes good coffee, too) and assumes the same responsibilities as the male employee who is given the title of administrative assistant with a higher salary.

ROSEMARY R. RENNIE  
St. Cloud, Minn.

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## Power Output Surge Brings Warning

Peak electric power demand in the U.S. during winter heating and summer air-conditioning periods rose to a record level last year, surpassing the 1976 mark by 6.5 percent. Following a 1976 rise of four percent, the increase last year indicates that the period of low growth experienced in 1974 and 1975 in the electric utility industry may be at an end.

Total U.S. output of electricity in 1977 is estimated at a record 2,149 billion kilowatt-hours.

The rate of electricity consumption prompted a warning from the Edison Electric Institute, an association of the nation's investor-owned electric companies.

EI says the record demand demonstrates that consumer conservation measures must be pursued vigorously, construction of coal and nuclear generating plants must move forward on a timely basis, and incentives must be provided to aid the raising of capital to build needed new capacity.

Industrial use of electricity in the nation—excluding California, Oregon, and Washington, where drought hampered hydroelectric generation—rose 5.4 percent during the first nine months of 1977, EEI says.

Commercial consumption was up 7.7 percent, and residential use increased 9.4 percent in the same period. In California, Oregon, and Washington, there were increases of three percent in industrial use, 3.6 percent in commercial consumption, and only 1.9 percent in residential use.

"The new peak," EEI says, "required electric utilities to have available the generation, transmission, and distribution facilities necessary to serve this increased customer demand. The anticipated growth of demand in the coming years strongly emphasizes the necessity to construct new generating

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John McCauley, Executive Director

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plants and other essential facilities now, so that they will be ready in time to meet customer need."

Otherwise, the Institute says, "there will be electricity shortages." •

## Radial Tires Gain Half of U. S. Market

Radial tires will account for half of the total U. S. passenger tire market in 1978, according to Richard A. Riley, chairman and chief executive officer of The Firestone Tire & Rubber Co.

"The use of radial tires on new cars should reach a record high of 86 percent, and they should account for 43 percent of the replacement market," Mr. Riley says.

He adds that his company will be working to turn back competition from imports. Nine percent of the 142 million replacement tires sold in the U. S. last year were foreign-made. •

## Modest Capital Spending Slows Industrial Suppliers

Purchases of industrial supplies were up 11.4 percent in 1977, the National and Southern Industrial Distributors associations report. However, the Philadelphia-based groups of suppliers of maintenance, repair, and operating goods—industry's hardware stores—note that inflation took much of the edge off that gain.

The gain was also limited because "there is a continuing reluctance on the part of our customers to let loose of capital spending dollars," says George W. Sydnor, Jr., president of the Southern Distributors Association. "This reluctance means a sluggishness in machine tool sales and lots of maintenance and repair of older equipment in plants."

Mr. Sydnor, who is also president of Smith-Courtney Co., of Richmond, Va., adds: "The net result is inefficient operation and lack of productivity. This is what is feeding inflation and increasing unit cost of production." •

## Scanning Device Detects Counterfeit Bills

An electronic scanning device to detect counterfeit U. S. currency is being introduced by Fenco/Unimark, of Cincinnati, N. J.

The "Currency Validator" uses a solid-state memory to scan, count lines,

and detect magnetic properties of currency. Counterfeit money is detected when a bill does not match the programmed information in the memory. A green light flashes when the bill is genuine.

"Most Americans accept and pay money at banks, stores, restaurants, and other business places without considering the possibility that the currency may be counterfeit," says Jack R. Lyons, president of Fenco/Unimark. "Modern technology—such as high speed cameras, automatic engraving machines, and color copiers—has helped to make the creation of bad money a relatively easy crime." •

## Federal Mineral Royalties Reach \$1.25 Billion

Mineral operations on leased federal land brought in a record \$1.25 billion in royalties last year.

The U. S. Geological Survey says more than 69 percent of the total came from oil and gas production on the Outer Continental Shelf.

Approximately 50 percent of the royalties goes to the states, 40 percent to the federal Land and Water Conservation Fund for environmental and recreational purposes, and ten percent to the U. S. Treasury. •

## Oil Per Well Drops; More Drilling Predicted

Oilfield drilling and production activity in the U. S. will increase at an annual rate of six to eight percent over the next decade as the nation attempts to improve domestic supplies of oil and gas, according to a study by Arthur D. Little, Inc.

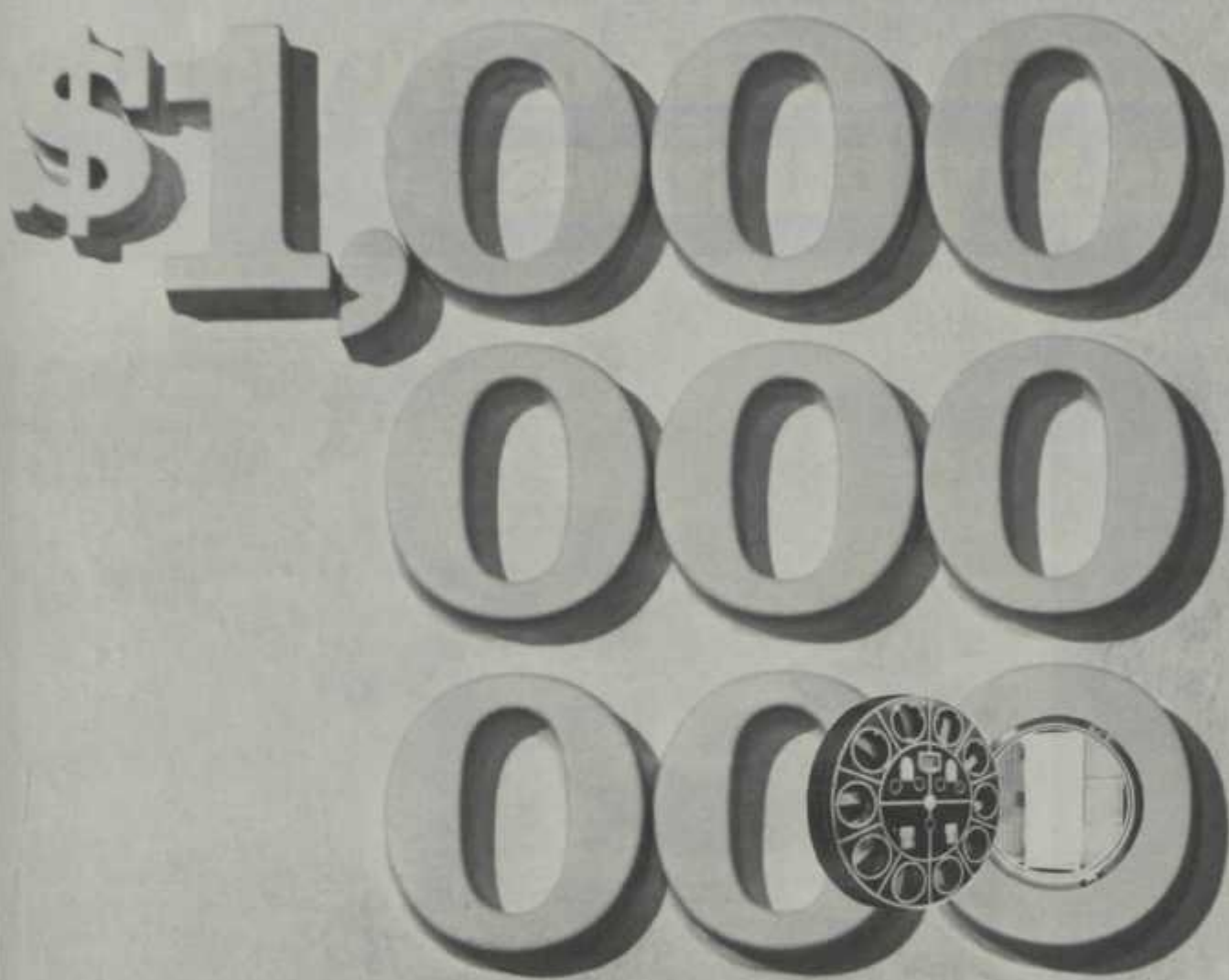
The study predicts growth in drilling activity abroad will continue at the recent rate of more than four percent per year, accelerating to between five and six percent by the mid to late 1980's as efforts are intensified to offset declining production of already discovered fields.

The forecast by the Cambridge, Mass., management consulting firm finds that, while drilling success ratios have not changed dramatically, the amount of recoverable hydrocarbons per successful exploratory well has declined significantly.

Bruce M. Putnam and Philip J. O'Brien, co-authors of the study, say: "This means that, in order to stabilize

*continued on page 80B*

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# The Nation's Business

# WASHINGTON

# LETTER

► **ALL-VOLUNTEER FORCE** costs a bundle, says General Accounting Office, the investigative arm of Congress.

Since 1971, when actual all-volunteer military began, U. S. taxpayers have coughed up \$18.5 billion more than if draft had stayed in effect.

Biggest reason, says GAO, was jump in military pay in 1971--almost doubling paychecks. Other reasons include improved military housing and larger enlistment bonuses.

► **INCREASED COSTS** necessary with all-volunteer force to attract and keep qualified professional personnel, says Defense Department official.

Besides, official argues, military pay was low and would have gone up anyway.

► **ANY CHANGE** to combat burgeoning military personnel costs probably will not be forthcoming this Congress.

Insiders tell us Congress, at least on Senate side, will tend to look for proposals from Defense Department before jumping into what could become a very controversial issue.

Watch for late March report from President's Commission on Military Compensation. It could form basis for possible future changes in costly military system.

► **GOVERNMENT'S NEWEST BABY**, Department of Energy, plans to spend \$11 billion in fiscal '79.

One firm, Earth Resources Co., of Dallas, questions benefits that may be derived in relation to DOE's spending plans.

Earth Resources says DOE's expected expenditures nearly equal value of all natural gas produced in the U. S.--and exceed the value of all oil produced in

Texas last year. The firm adds that the Texas agency which oversees the state's oil and gas production "has a budget some 900 times less than that of DOE."

► **WE DID SOME CHECKING** on energy cost issue.

Total value for natural gas produced in U. S. in 1976--latest figure available--was \$11.6 billion, nearly equal to DOE's planned expenditures.

Total value of oil produced in Texas in 1977 is estimated at \$10.3 billion--less than DOE's planned expenditures.

Texas Railroad Commission, which oversees oil and gas in that state, has a \$12 million budget--as Earth Resources Co. says, some 900 times less than DOE's planned expenditures.

► **INFLATION COST AMERICANS** \$83 billion last year, says Commerce Department.

Disposable income in 1977 totaled \$1.309 trillion. In 1976 it was \$1.186 trillion, making the year-to-year difference \$123 billion.

After inflation adjustment, which is based on 1972 dollars, last year's figure drops to \$930 billion, while the 1976 figure declines to \$890 billion. A \$40 billion difference.

Since the \$123 billion difference in disposable income between the two years becomes \$40 billion when inflation is discounted, this leaves \$83 billion less in potential purchasing power from 1976 to 1977.

► **TAX PACKAGE** proposed by President begins hearing process before House Ways and Means Committee this month.

Money experts especially concerned with \$9-plus billion portion of package targeted for tax reform.

They note reform will result in tax

increase--not decrease--for some, especially individuals, and express concern reform portion of package will bog Congress down to the detriment of getting needed stimulus money into economy.

► **LACK OF CAPITAL** for small business permits foreign investors to buy up some of America's more promising companies, says Sen. Gaylord Nelson (D.-Wis.), chairman of Senate Small Business Committee.

The senator, submitting annual committee report to the Senate, cited 11 acquisitions of American companies by foreign investors and said the acquisitions were a result of a capital formation gap faced by small firms.

Inability of small firms to raise capital has not only become crisis for the firms involved, but has serious implications for the American economy, he warned Senate.

► **FOREIGN MONEY HURTS FARMERS'** ability to buy land, say farmers in Washington to support farm strike.

Donald Kloepper, of Effingham, Kans., and Jimmy Boughton, of Rayville, La., told us foreign investors were driving up the cost of land in their areas to a point where "we can't afford to buy it."

Mr. Kloepper says in past three years the value of land in his area has more than doubled. He feels foreign money played a large role in pushing up the cost.

"I think foreign investors want to put their money in something that will inflate, and land is inflating," says Mr. Kloepper.

► **NEED A QUICK REMEDY** for the cancer-causing substance problem? A growing number of people feel OSHA may be going about the carcinogen regulation process just that way--too quickly.

OSHA has proposed a single generic standard which would cover all substances linked to cancer--or suspected of being linked to cancer--in every workplace covered by OSHA.

Of immediate concern is the proposed definition of a carcinogenic substance,

which eventually may put employers in a liable position.

Public hearing on proposed standard scheduled by OSHA May 16 in Washington.

► **THAT SOCIAL PERFORMANCE INDEX** for business sent back to the drawing board.

Department of Commerce, which proposed index to keep tabs on social performance of U. S. corporations, has decided to back away from any immediate implementation.

Department originally had asked for \$428,000 to begin the index. Now it is asking for only \$35,000--for a person to study the idea on an in-house basis.

Some are asking why the department, which has more than 38,000 employees, could not find someone on board to handle the study.

► **FEDERAL REGULATION** is expensive. In fact, for even a limited number of federal regulatory activities, the cost worked out to more than \$1,200 per average American family of four in 1976.

Robert De Fina, research assistant for Washington University, St. Louis, examined six categories--such as paper-work and consumer health and safety--in reaching his conclusion.

His study showed compliance costs for these categories in 1976 amounted to \$65 billion. That was 3.8 percent of gross national product.

► **GETTING MESSAGES TO WASHINGTON** appears hot item these days.

Budd Co., of Troy, Mich., has run an ad in various trade magazines entitled: "Democracy Has Many Voices. Why Don't More Business People Speak Up?"

In November, the company placed the ad in Nation's Business, because "we felt the magazine was delivering a great portion of thinking America," says Paul Sichert, assistant to Budd's chairman.

The ad asked people to write to Budd for a free copy of a booklet on how to get your message to Washington.

Since then, Budd has received orders for about 105,000 booklets. Mr. Sichert says requests are coming from people in all walks of life.

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\*Source: Dartnell Institute of Business Research

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## Support the Carter Wage-Price Curb Plan?

**P**RESIDENT CARTER has proposed that government, business, labor, and other interest groups "join in a voluntary program" to reduce inflation.

He said his plan would keep 1978 wage and price increases in each sector of the economy below the average increases of the past two years.

The President announced the plan in his State of the Union message last January. "I do not believe in wage and price controls," he said. "A sincere commitment to voluntary constraints provides a way—perhaps the only way—to fight inflation without government interference."

Everyone would be better off, Mr. Carter said, if the inflation rate were slowed.

While agreeing that such a reduction would benefit the entire nation, leaders of both business and organized labor were concerned by the emergence of still another suggestion for a

government invasion of the private sector. That concern was heightened as details of the Carter plan were unfolded.

The administration plan anticipates meetings between representatives of the Council on Wage and Price Stability, the Council of Economic Advisers, and the Labor and Commerce departments on one hand, and representatives of individual companies or workers on the other. Mr. Carter spoke of establishing "a standard of behavior for each industry for the coming year."

George Meany, president of the AFL-CIO, responded that his organization would not "support the proposition that the government should define the terms and results of collective bargaining through any variation of guidelines—generalized or industry-by-industry."

Jack Carlson, vice president and chief economist of the Chamber of

Commerce of the United States, pointed out that Mr. Carter's plan failed to recognize two key economic developments. Inflationary pressures caused by labor unions and business activity are not accelerating, Dr. Carlson said, and "the new inflationary pressures are largely due to laws enacted by the administration and Congress during 1977 and by inflation-causing legislation to be passed during 1978."

The voluntary controls plan, he said, may actually trigger price increases by businesses and wage demands by unions because of fear that the next step will be mandatory controls. Thus, Dr. Carlson said, the President's announcement of his plan "will undoubtedly lead to higher inflation and additional pressures for mandatory controls."

Do you favor President Carter's plan for wage and price curbs? How do you stand?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor  
Nation's Business  
1615 H Street N. W.  
Washington, D. C. 20062

Do you favor the Carter plan for wage and price curbs?

☐ Yes ☐ No

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## The Business Lunch: Tool or Tax Dodge

**S**OME would-be reformers become almost dyspeptic when they talk about tax-deductible business meals.

To them, such meals—as symbolized by the so-called three-martini lunch—are a gross abuse of tax deduction privileges.

In January, President Carter called for changes in tax law that would make only half of the cost of a business meal deductible and would eliminate business deductions altogether for such expenses as country-club dues and theater and sports tickets.

The "Sound Off to the Editor" question in the January NATION'S BUSINESS was: "Should the business lunch continue to be fully tax deductible?"

The answer from readers: an overwhelming yes.

"There exists a wide misconception of the three-martini lunch," says Eugene M. Keys, corporate vice president of Oak Industries, Inc., Crystal Lake, Ill. "Although the deduction privilege may be abused by an extremely small minority, lunch remains the most important forum for business transactions."

Says Brian P. Doran, vice president and general manager of Trans-Tel, Jacksonville, Fla.: "The business luncheon is a means of allowing one additional meeting in an already overactive day."

K. E. Crocker, director of worldwide engine components operations for Eaton Corp., Cleveland, says that his position requires him to travel often and conduct activities away from his office. The business lunch is "not only important, but conducive to business relationships" and should remain fully tax deductible, he says.

And Paul E. Gainor, an account executive for Carl Byoir & Associates, Inc., in Detroit, says: "There is nothing evil or spurious in discussing business over the mid-day meal. It is a way for busy executives to extend their workday and increase their productivity."

On the other hand, Fred P. Blissmer, treasurer of Engineering/Analysis Corp., Redondo Beach, Calif., says: "If the business lunch deduction is so important, then make the deduction val-



"Lunch is the only time I can meet busy executives," says Anthony D. Branch, dean of Golden Gate University's Graduate School of Management, Los Angeles.



David E. Kinnaman, senior project analyst, Exxon Corp., Florham Park, N. J., votes no to the business lunch because "control is a problem."



George C. Watterworth, an Ingersoll-Rand Co. regional manager in King of Prussia, Pa., says that lunch "is a valuable means of extending the business day."

id for all, including all employees, not just salesmen and executives."

Clair A. Lewis, associate actuary for Northwestern Mutual Life Insurance Co., Milwaukee, votes no to the business lunch because it is "essentially a bribe."

And Lois Pinney, assistant secretary-treasurer at E. O. Phelps & Sons, Inc., Bantam, Conn., favors reducing the deduction to 50 or 60 percent because "there usually is a point where business ends and socializing begins, and socializing should not be tax deductible." She adds, however: "Our government leaders do the same thing on taxpayers' money. Before we start looking into business loopholes, let's start with our government."

Terry C. Holter, an attorney in Bemidji, Minn., says: "Since people have to eat lunch, it is absurd for some to be allowed to deduct the full cost of the lunch under guise of a business expense."

Whether limiting the tax deduction on business meals would hurt the restaurant business is a subject of controversy.

F. W. Goetz, assistant to the general manager of N. W. Steel Rolling Mills, Inc., Seattle, believes that "business would decrease drastically in the restaurant business if lunches were not deductible." Mr. Goetz favors continuing full tax deductibility.

Carl T. Durbin, assistant manager of The Golden Ox Restaurant, Kansas City, Mo., is on the other side. "One way or the other, whether the establishment deals in fast foods or higher class dining, the restaurant is going to get the business trade," he says. He adds: "A man who makes a business transaction tends to profit by it. Why must the government pay?"

Views vary on whether the luncheon atmosphere is conducive to business transactions.

Says Phyllis M. Shoulders, zone sales manager for Indianhead Truck Line, Inc., St. Paul, Minn.: "The business breakfast-lunch-dinner is most valuable to a sales representative. This time spent with a customer allows his undivided attention. In the office,

there are never-ending interruptions."

J. C. Dalton, vice president of Federal Paper Board Co., Inc., Los Angeles, says: "There are many in our society who cannot grasp that business is a human relations effort and not just computers, dollars, and profit-and-loss statements."

But R. Kenneth Barclay, executive vice president of Bell, Gouinlock & Co., Inc., New York, says that "a business lunch is a weak substitute for a meeting in office surroundings that gets to the point more quickly."

And Ingrid Hackenberg, president of ISTA-Energy Conservation Corp., Central Islip, Long Island, says: "Business deals should be concluded in the office where they belong."

The theme that the business lunch is a valuable tool for doing business recurs frequently in responses.

John Rink, general manager of the Post Publishing Co., Salisbury, N. C., says that "any successful enterprise advertises and builds goodwill. There is no better way to do this than through a person's stomach."

Edward T. McCormick, Jr., president of Modern Educational Systems, Inc., Hartsdale, N. Y., says the business lunch is important "especially for

small firms. It is an essential means of developing the proper close relationships with clients in order to compete with giant companies."

On the other hand, Thurman Albright, depot manager for Chemetron Corp.'s carbon dioxide division, in Houston, urges reduction or elimination of the lunch deduction because "all salesmen or saleswomen would then be equal and could demonstrate their salesmanship ability rather than how well they can wine and dine."

And George Myers, supervisor of general accounting for the Otter Tail Power Co., Fergus Falls, Minn., says: "Most business lunches I have taken part in were used to discuss trivia rather than business. They are used more as a gratuity to get or keep business than to discuss it."

Mr. Myers says the deductibility privilege is "frequently abused." E. F. Miller, president of Coventry Auto Parts, Inc., Coventry, R. I., agrees. "From my past experience on the road for 17 years with a million dollar company, it's a big rip-off," he says.

But Joseph A. Hand, sales manager for National-Standard Co.'s strip steel division, Fraser, Mich., says: "I have been selling for 36 years, and I can

count on the fingers of one hand the number of men who have taken three cocktails for lunch."

Geoffrey Craik, properties manager for Waite Thresher Co., Providence, R. I., summarizes his position against the tax deduction this way: "It's a big joke that the workers of America can't afford."

However, Bill Young, partner in YCO Products, Chicago, says: "The business lunch is not ipso facto a gratifying excursion. It is work, and sometimes unpleasant work. As our nation sinks into the morass of collectivism, it is not surprising that the tax collector is zeroing in on the business lunch. All manifestations of our high standard of living are being attacked and taxed."

Says Joseph Schirf, a partner in the Latrobe Sheet Metal Works, Inc., Latrobe, Pa.: "As long as members of Congress can eat in Capitol restaurants at a fraction of the cost, park their cars without paying, and enjoy so many other fringe benefits, it is only fair that the business lunch should be tax deductible."

And Dale W. Spiegelberg, president of Spiegelberg Insurance Agency, Inc., Amherst, Ohio, says the business meal "is as American as apple pie." □



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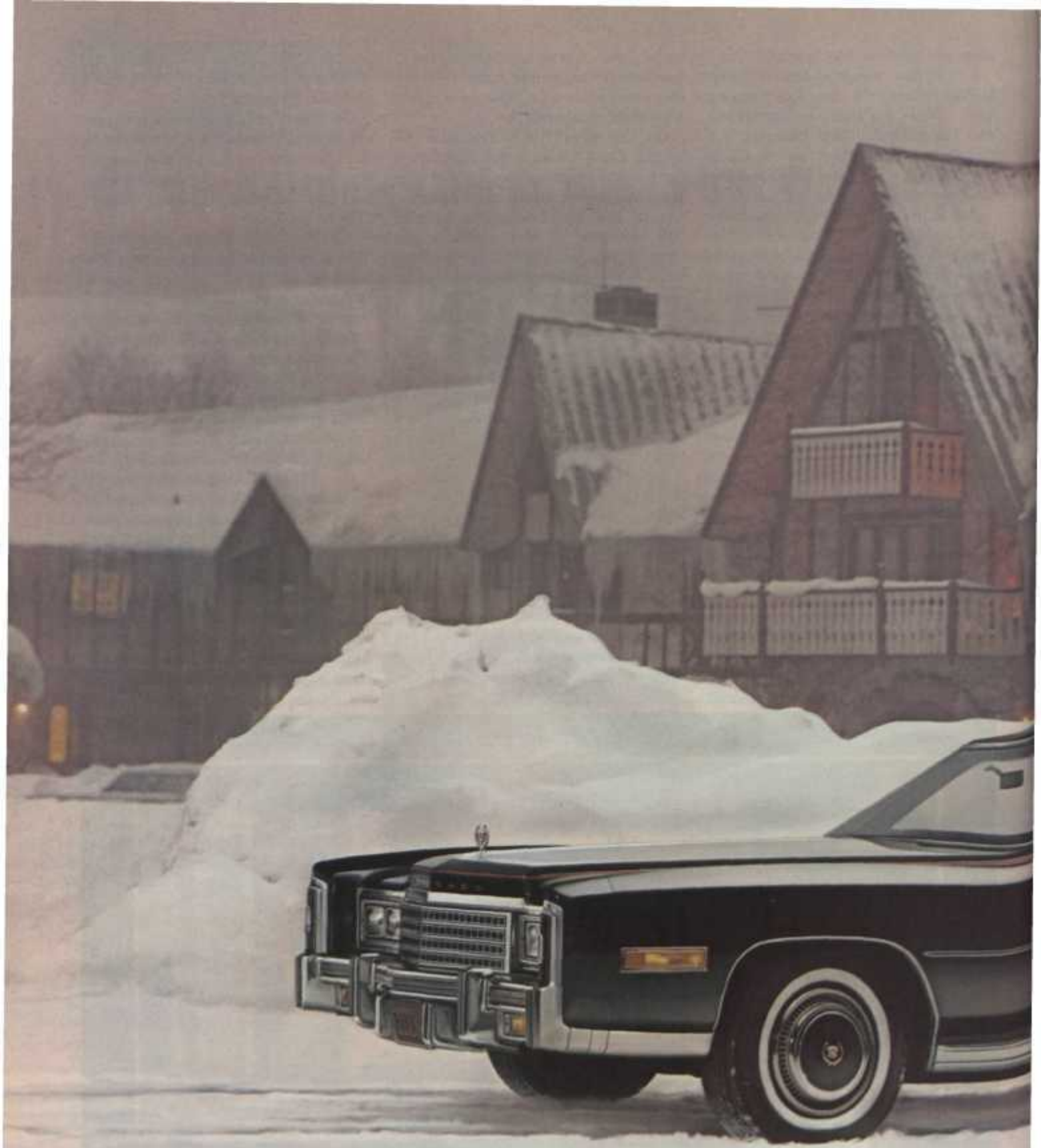
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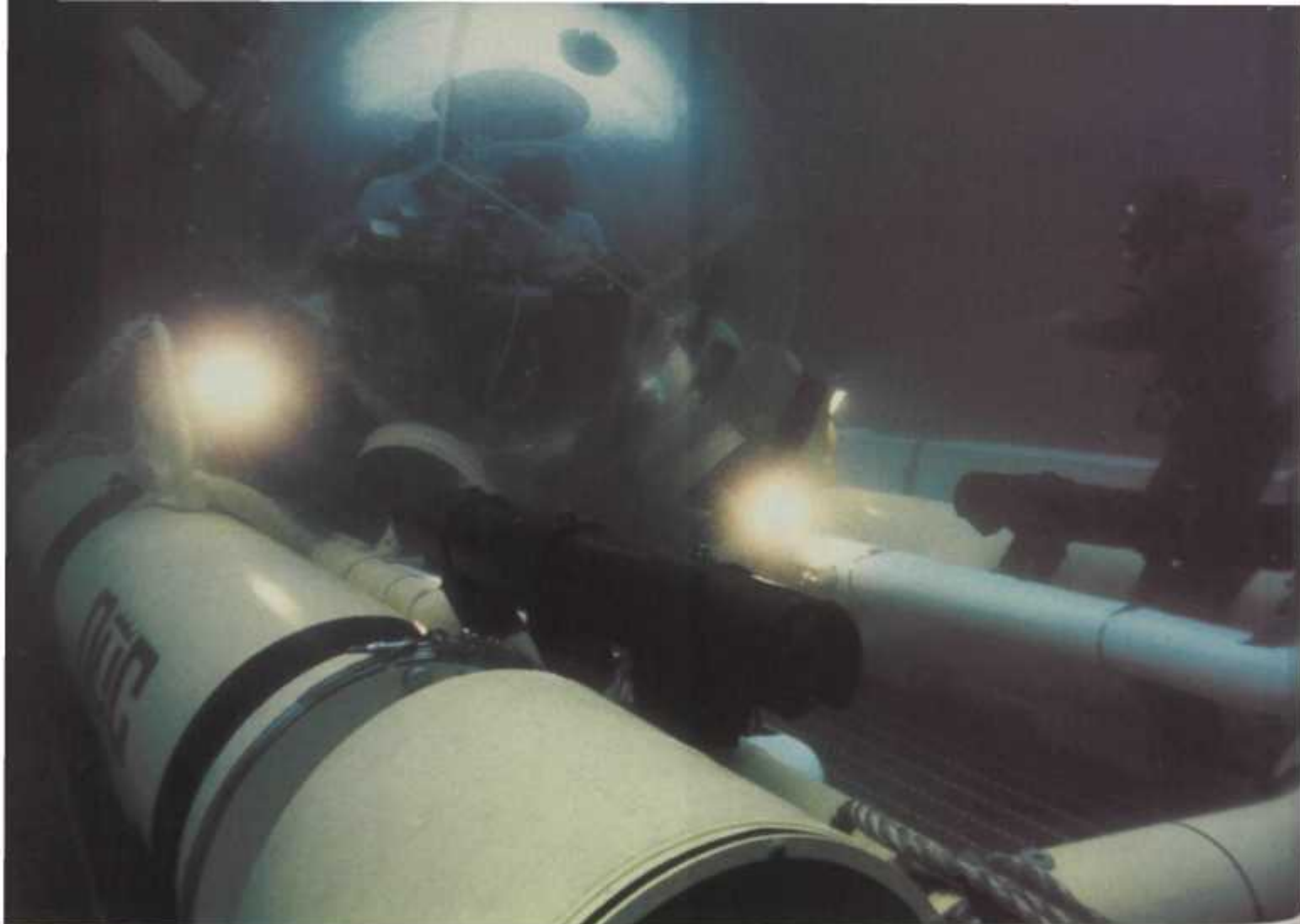


PHOTO: FLIP SCHULRE—BLACK STAR



Uncle Sam has extensive scientific and agricultural exploration going on deep beneath the seas to study plant and fish life. Vehicles that carry men to the floor of the sea are vaguely similar in appearance, although not in usage, to space vehicles. While these exotic craft explore the bottom of the sea, strange vehicles are on the surface. They are involved in experimental seabed mining, and behind them they drag miles-long pipes with attachments that bring up nodules rich in minerals. Several such ships are operated by American mining firms.



PHOTO: USIPHOTO

With the world's population going ever higher, mankind turns more than ever to the sea for food. Several fishing areas have been depleted, especially by Soviet and Japanese fishermen. Years will pass before natural fish stocks are restored. Fish farming is fast becoming one way of overcoming this problem.

# Who Will Reap the Mineral Riches of the Deep?

By Sterling G. Slappey

The seabeds contain a treasure trove of metals that mankind needs. Business wants the freedom to bring up the treasure and make a fair profit. Many UN delegates don't want it that way

**T**HERE IS an area of the Pacific between Hawaii and Mexico, approximately 2,600 miles long and 800 miles wide, where the seabed is littered with billions of nodules.

These brown and black, rough-surfaced chunks of metal ores and mud range from thumb to grapefruit size and lie thickly sprinkled across the ocean's floor. To a world increasingly hungry for natural resources—particularly minerals—they represent a treasure trove of immense proportion.

Nodules are composed of approximately one third metal ores—copper, cobalt, iron, manganese, nickel, and traces of molybdenum and other ores. The remaining two thirds is packed mud.

The ores in the nodules were created by chemical action deep within the earth and pushed up to the seabed sur-

face eons ago by volcanic action. There the nodules were formed by the rolling action of undersea currents.

## A brand-new industry

A brand-new industry devoted to private enterprise is being put together to bring these nodules to mankind.

The technology to lift millions of tons of nodules each year from seabeds is advanced, although still in experimental stages. The first demonstration ships of eventual fleets of complicated mining vessels have already taken hundreds of tons of nodules from the big Pacific area and from several of the other 300 areas beneath the seas where high-quality nodules are plentiful. These include prime sites in the Indian Ocean and south of Australia. The Atlantic is not nearly so blessed with nodules as the Pacific.

Thus far, the ships and their crews—which include metallurgists, other scientists, and mining engineers—have taken nodules only for testing. There has been no commercial mining.

Some ships use vacuum cleaner-like equipment to suck up nodules through jointed steel pipes which are 18 to 20 inches in diameter and often are miles long.

Other ships use experimental hydraulic lifting equipment. Nodules are found only in deep water—sometimes as deep as 18,000 feet.

## Last frontier?

The ships belong to eight mining consortia which have been privately financed during the past ten to 15 years to the tune of more than \$200 million. Members of the consortia are companies in the United States, Britain, West Germany, Belgium, Japan, Canada, the Netherlands, France, Australia, and Sweden.

There is nothing of Jules Verne, no underwater city or civilization involved, but the companies in the consortia are going after very big game. They are operating in what may be the last frontier for mankind on earth, and the rewards involved—as well as efforts—are terrific.

American companies most heavily involved in consortia at one time or another—some companies have joined consortia and then dropped out—include Kennecott Copper Corp.; U.S. Steel Corp.; Ocean Mining Associates; Atlantic Richfield Co.; Tenneco, Inc.; Deepsea Ventures, Inc.; Sun Co.; Lockheed Missiles & Space Co.; AMOCO Minerals Co.; International Nickel, Inc.; SEDCO, Inc.; Phelps Dodge Corp.; Occidental Minerals Corp.; The Superior Oil Co.; and Utah International, Inc.

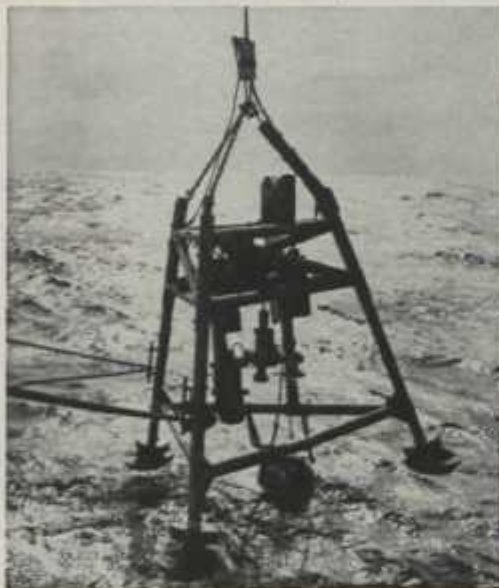
Scores of other companies participate through the supply of parts, machinery, and services.

## Long controversy

For centuries, the world has recognized the right of freedom of the seas beyond national limits. Since prime quality nodules are almost all far out to sea, mining ships dragging their long, incredibly heavy and unwieldy, tail-like pipes could legally go out to-

The Deepsea Ventures, Inc., mining ship, "Prospector," uses a dredge system to bring nodules aboard from the ocean floor. Sites from which the nodules come are recorded before the lumps of mud and minerals are taken ashore.

How do you see what's happening on the bottom of the sea 18,000 feet below? You drop one of these tripods behind the ship and drag it just above the seabed. A TV camera mounted on the tripod relays the scene to the deck of the ship.



morrow and start the commercial harvest.

But they have not.

The reasons, American mining experts say, include an amalgam of politics in the United Nations, jealousy, antiprivate enterprise sentiment, charges of American greediness, hopes by delegates to the marathon UN Conference on the Law of the Sea to radically restrict the U.S. role in seabed mining, and attempts by delegates from underdeveloped countries to write the mining rules to their own advantage and to penalize technologically superior nations.

An international controversy over seabed mining rights has been going on since the mid-1960's.

Many UN delegates, perhaps even most, want international ownership and control of the fruits of the seabeds outside territorial waters. At the same time, they want private mining companies—which are the only possessors of deep seabed mining technology—to pay for mining operations and to take only small percentages of the profits after the minerals are marketed.

The great bulk of profits would be distributed to nations which contribut-

ed nothing to the operation in money or technology.

American company executives say that, during the past five or six years, many law-of-the-sea conference delegates have increasingly demanded the formation of an international seabed authority and of an arm of that authority called Enterprise. The authority would operate under the umbrella of the UN. It would be given power to license private firms for mining, set standards, award and withdraw mining blocks to companies, punish those it considered offenders, set fees—in short, be the ruling force in deep seabed mining.

The authority would have its own enforcement fleet—nothing less than an international navy. No precedent exists for such a force. It would be the world's first permanent international police force sponsored by national governments.

#### Financial trouble ahead

Companies in the Western world see a major problem ahead if nodules go under such international control and if mining licenses are issued without solid time guarantees.

The companies say they will not be able to raise the \$1.2 billion needed to complete experimental work, launch ships, build shore refining facilities, and start marketing the minerals. Company officials doubt that banks or other financial houses would take a chance on making large loans if the UN or a UN authority were running the show.

Already companies in the consortia have borrowed heavily to amass the equipment and technology they now have.

Instead of arrangements called for by law-of-the-sea delegates, private companies seek conditions which would promote efficient and equitable seabed development and protect the developers.

Among conditions the companies want are these:

- Equal opportunity for companies or nations to obtain mining sites. No discrimination against private companies.
- Security for licensed miners to operate for specified times and under firm terms which would not be subject to unilateral revision by any other groups.



Once ashore, nodules from far below the waves of the Pacific Ocean reach this Deepsea Ventures pilot processing plant. Leach liquor from the nodules goes into 30 mixer-settler units. There, high-purity copper, nickel, and cobalt solutions and a less-pure manganese solution are extracted.

- Freedom from controls over production and pricing. These would include national and international controls.

- Protection against having to pay both the usual run of taxes plus national import duties because the nodules would be coming from outside territorial limits.

### The Group of 77

Consortia and companies say that, unless they are assured of conditions close to these, they will not operate under the international authority proposed in the law-of-the-sea conference, the third such parley held under UN auspices.

In recent years, this conference has largely passed under the direction of what is known as the Group of 77, which now includes about 100 UN nations. This group is made up largely of underdeveloped or undeveloped countries. Many are extremely poor, several are landlocked, and few have citizens with technical knowledge of seabed mining.

Besides trying to write a seabed mining treaty which would be acceptable to a variety of nations, law-of-the-sea

conferences concern themselves with deep-sea fishing rights and rights of international shipping to pass through narrow straits such as those at Gibraltar, Hormuz, Bab el Mandeb, Malacca, Kattegat, and Skagerrak.

Group of 77 nations demand that whatever kind of international deep seabed mining organization is devised be ruled on the principle of one nation, one vote, regardless of a country's size or contribution to the mining operation. They shy away from one man, one vote, because in that case the U. S. would have 218 million votes and some of the small countries would have only a few hundred thousand.

### Behind the scenes

A further complication is the behind-the-scenes support given the Group of 77 by a few advanced nations which are big exporters of the minerals found in nodules. Seabed mining would hurt their present markets.

The seventh session of the current law-of-the-sea conference convenes in Geneva March 28. It may—or may not—be able to untangle the controversy. American mining experts doubt that the conference can ever resolve

differences between advanced and underdeveloped nations.

Meanwhile, what are the results of all the bickering, delays, and maneuvering?

- The nodules are still down there in the water, and the world still awaits minerals it needs.

- The estimated eight-year technical lead that American companies once had, after years of hard work and heavy expenditure, on how to obtain the minerals is diminishing rapidly. Technology in several other advanced nations is catching up.

- Companies are trying hard to hold cadres of experts together.

- Companies are paying high carrying charges on money already borrowed for seabed mining work.

### Nothing reasonable

Marne A. Dubs, director of Kennecott Copper's Ocean Resources Department and one of the world's top authorities on seabed mining, says: "I don't think a reasonable law-of-the-sea treaty can come from the conference as it is now constituted. Nothing coming out of recent sessions can be considered a basis for negotiations."

"Neither the administration, Congress, the American companies, nor consortia will go for one nation, one vote proceedings when the consortia will be providing practically all of the technology and taking practically all of the risks."

"One thing further: The ruling council of the UN seabed authority, as it is now envisioned by some member countries in the Group of 77, might not even have an American member."

With international negotiations looking so unpromising, several nations—including the U. S., West Germany, Britain, and Japan—are considering domestic legislation which would create acceptable conditions for companies to go ahead and mine regardless of law-of-the-sea decisions. The companies would send out their ships under traditions of freedom of the seas.

Hearings have been conducted in both houses of Congress on such legislation.

Several liberal members of Congress oppose many particulars of House and Senate proposals. These liberals, as well as some others in Congress, insist that the international route to seabed mining is the best route. They still hope for acceptable arrangements for the next law-of-the-sea session.

There is wide agreement in the min-

ing industry, Congress, and the international community that the treasures of the seas belong to all mankind and that these treasures include nodules just as they include fish caught beyond territorial limits.

But since prospects for producing a fair international agreement in law-of-the-sea conferences seem remote, Congress may well send a bill to President Carter before the next law-of-the-sea session ends which would open the way for consortia to mine.

As time for the meeting draws near, it is known that several companies and consortia are willing to operate under a fair set of international controls if the U. S. gives them guarantees of protection against future unreasonable changes in the controls.

### **Domestic seabed mineral policy**

The American business community feels, however, that it is not in the public interest at this stage to delegate to any international agency the rights to marine resources. The existing national and international framework is considered sufficiently flexible to assure orderly development of the natural resources of the seabeds.

Business feels the federal government, furthermore, should take action to encourage private industry to lead the effort to develop marine resources.

The American Mining Congress in Washington says legislation should be passed that will establish a domestic seabed mineral policy. The policy, it says, should include:

- Monetary guarantees protecting companies from being dispossessed

## **ODDITIES FROM THE DEEP**

Nodules are known technically as concretions. They often are referred to as manganese nodules because there usually is a higher proportion of manganese in them than of other ores.

They have been known to oceanographers, metallurgists, and other scientists since the 1870's when the British vessel, "HMS Challenger," brought up nodules from the depths of the Pacific during a scientific voyage.

A collection of nodules was placed in the British Museum, but no extensive research on their contents was done. They just sat there in the museum, oddities from the deep.

Early in the 20th century, research began, and nodules have been studied, dissected, and classified since the early 1960's.

from mining blocks. There might be insurance which companies would help pay for.

- Freedom of access to the seabeds through established licensing arrangements.

- Assured and adequate rights of companies to the minerals they bring up.

- Effective protection for the marine environment.

- Assurances that minerals would be taxed not as imports, but on the same basis as if they came from the ground beneath American territory.

- Establishment of equivalent legal rights in other nations through reciprocal agreements.

If the U. S. Congress produced a bill that satisfied companies, consortia, and President Carter, there is a strong belief in the mining industry that the hand of American Chief Delegate Elliot L. Richardson would be strengthened in law-of-the-sea conference negotiations.

### **Weakness in the past**

Representatives of several companies criticize Ambassador Richardson and former Secretary of State Henry A. Kissinger for concessions they made at earlier conference sessions. The companies feel that their interests were not defended strongly enough and that this encouraged the Group of 77 to make larger demands.

In particular, Mr. Kissinger is criticized because he once promised to make available to an international seabed authority technology developed by American companies. One industry spokesman says: "Kissinger was giving away something that was not his to give. The technology belongs to the companies, not to Kissinger or the U. S. government."

Looking farther down the road, there is the possibility that, if Congress fails to produce a bill acceptable to industry, if President Carter will not sign such a bill, or if the next law-of-the-sea conference session fails again to write equitable regulations, consortia and companies will go ahead and mine anyway.

### **Under foreign flags**

Some consortia and companies have discussed operating mining ships under flags of certain foreign nations which would not have companies in the consortia. Already thousands of oil tankers, freighters, and fishing boats operate under flags of nations other than those in which the owners live. The other countries usually have liberal shipping tax laws and ship-manning requirements that are not stringent. Their governments are often ready to assist companies which put vessels under their flags.

Ambassador Richardson doubts the feasibility of American-owned mining ships operating under foreign flags of convenience. He points out that American tankers and tuna boats now

## **A WATERY DESERT**

What is it like on the ocean's floor where the nodules lie?

Marne A. Dubs, director of the Ocean Resources Department of Kennecott Copper Corp., gives this vivid description of the bottom of the sea:

"Let me take you to the alien and hostile world where nature has placed a treasure chest of minerals for man's future use. This world is far from land, beyond the edges of the continental shelves. It is in the abyss of the world's oceans where the water has an average depth of 12,000 feet and may reach a depth greater than the height of Mt. Everest.

"This world of the deep ocean is a dark, cold world. No light penetrates, and the temperature of the water is only a bit above freezing. It is a sterile world. Life is sparse. It is a desert with far less life than the deserts we know on land. The few organisms found on this deep seabed live and die in its oozy mud and seem to be isolated almost completely from the life of the ocean that we know.

"A minuscule drift of detrital material enters from the world above—nothing leaves. No man has ever set foot on the soft, muddy ooze of the deep seabed, and no one is likely to do so."

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PHOTO BY J. J. JENSEN—BLACK STAR

The Japanese lead the world in fish farming. At this farm in Tachime, huge schools are kept for two years in 30 pens in a large bay. This ages-old practice in the Far East is now being copied in the Western world.



PHOTO BY GENE KALSTEAD—EPA



Paralleling the study of seabed plant life at Woods Hole are experiments with various colored crustacea.

Dr. John Ryther, senior scientist at the Woods Hole Oceanographic Institution in Massachusetts, studies cultivated, edible seaweed. Great progress has been made recently in improving the yield and taste.

## THE SEA: FARMLAND OF THE FUTURE

Within a few years, Americans will be doing in a big way what some of the world's peoples have been doing for 2,000 years—raising fish, turtles, crustacea, undersea vegetables, algae, mosses, and edible seaweeds for the dining table.

They taste great when properly cooked and flavored. Some are eaten alone, others are used in preparing various dishes. They include abundant food values for a world whose population never stops increasing. Some have been known for centuries to possess medical qualities.

Several make superb fertilizers. Animals, especially in the European lands of the North Sea basin, eat prodigious amounts of some of them as fodder. When fed to sheep, others increase the quantity and quality of the animals' wool.

Underwater food growing, whether in seas, bays, rivers, lakes, or ponds, goes under a collection of names—mariculture, aquaculture, pen-rearing, ocean or lake ranching, fish raising, fish farming, fish midwifing.

Plants are grown on the bottom, either underneath protective plastic domes or in the free flowing water. Others are suspended in submerged racks. Some simply float about. Experiments are in progress to grow seaweed on land with extensive watering. Other experiments are in progress to grow freshwater plants in saltwater.

Meantime, American companies and schools and other institutions are pressing ahead with efforts to domesticate fish, much as the cow and the chicken have been domesticated.

Promising as the future may be for seabed mining of minerals-producing nodules, mariculture could in the long run mean more to mankind because of food scarcities abroad.

Japanese, Chinese, Koreans, and Taiwanese, as well as peoples of several countries outside the Orient, have been fish and seaweed farmers for centuries.

Though there is some mariculture in the United States, it is small compared to efforts abroad. Efforts here have centered primarily in gathering a few seaweeds as food and in cultivating shrimp, oysters, clams, lobsters, mussels, trout, catfish, and crayfish.

In many areas of the world, the land cannot sustain the populace.

Had our land been less bountiful, we too would have concentrated more heavily on mariculture long ago.

American schools and other institutions with extensive programs to develop the arcane art of mariculture include: the universities of Delaware, New Hampshire, Rhode Island, Georgia, Miami of Florida, and California at Davis and at Berkeley, the Woods Hole Oceanographic Institution, the Scripps Institution of Oceanography, and the Franklin Institute Research Laboratory. Every state has development programs, and many have been extended in recent years.

The federal government is involved primarily through the National Marine Fisheries Service, which is part of the National Oceanic and Atmospheric Administration; the Department of Agriculture; and the National Sea Grant Office. The United Nations is involved through the UN's Food and Agriculture Organization.

A partial listing of companies involved:

Union Carbide Corp.; Weyerhaeuser Co.; Westinghouse Electric Corp.; Walt Disney Productions; Ralston Purina Co.; Dow Chemical Co.; General Mills, Inc.; Kraft, Inc.; Tankultured Foods Co.; Abandoned Farm, Inc.; Marifarms, Inc.; Kahuku Farms, Inc.; and C. Brewer & Co., Ltd.

Many other companies that are in food production or processing are considering development of mariculture programs.

Pollution has killed many plants and fish, and they must be replaced. Maritime nations, particularly Japan and the Soviet Union, have grossly overfished the oceans near their homelands and, more recently, the oceans far away. Fish stocks in overfished seas must be revived. The recent claiming of 200-mile limits by a number of countries, including the U. S., has expanded national areas that are handy for water farming. At the same time, use of these areas stretching out from seafarings has been denied to other nations.

Several years ago, Weyerhaeuser bought out a small Northwest aquafarm company that was attempting to increase the salmon catch. Weyerhaeuser is now constructing an elaborate salmon hatchery near its pulp mill in Springfield, Oregon, and using technology worked out by the

smaller company. Effluent from the mill heats a nearby hatchery and provides a place for salmon to spawn, hatch, and grow faster than in the natural habitat. After some time in the heated water, smolts—small salmon—are taken to Coos Bay and Newport, Oregon. There they are vaccinated, given a chance to acclimatize in saltwater, and released. They race to the open Pacific.

Salmon have strong homing instincts, and out of the first million released, several thousand have already returned to lay eggs. Weyerhaeuser hopes for an eventual six percent return rate. In a few years, Weyerhaeuser expects to harvest 30 million salmon a year and to take in \$40 million annually on their sale.

Domsea Farms, Inc., of Bremerton, Wash., a subsidiary of Union Carbide, is growing about one million salmon a year and meanwhile studying shrimp and salmon farming in Central and South America. Domsea incubates salmon eggs. The young fish are put in freshwater tanks, and after six months they are trucked to Puget Sound where they go into floating enclosures. In another six to nine months, the fish are ready for market. Domsea began the program seven years ago and now claims it has reduced the time to get a salmon ready for market by half.

Off the Nova Scotia coast, Canadians herd bluefin tuna—some reaching 800 pounds—into a corral they call the Bluefin Motel. Undersea nets fence off the area where the tuna are kept while they are fattened on herring, mackerel, and other small fish.

Man almost wiped out green sea turtles on the Atlantic coast of Florida. These turtles are now making a comeback, thanks to mankind. Since 1972, turtle eggs have been incubated in captivity and the turtles reared in protected pens, then set free.

Scientists from Florida's Department of Natural Resources are confident that, eventually, enough of the thousands of released turtles will return to their hatching places to make the program a success.

When this happens, a species will have been saved from extinction. And, after enough turtles come home, man will again feast off the green sea turtle, one of the finest tasting of foods.

flying foreign flags are in accepted legal businesses, while many nations would not consider American seabed mining ships to be legally operating unless there was a UN involvement. He questions whether the U. S. government could give seabed mining ships the protection they would want. He also questions whether banks and other lending organizations would advance the capital needed for seabed mining if there was any question as to the legality of the mining operation.

### Strong reaction

Opposition to law-of-the-sea conference proceedings focuses largely on Paul Engo, of Africa's United Republic of Cameroon, who has served as chairman of a conference deep-sea mining committee.

Last summer, after the conference session that was held then produced a draft agreement which included some of the conditions Americans wanted, Mr. Engo rewrote the agreement, removing many of them. Mr. Engo claims he had the right to do so under committee rules.

American companies reacted strongly, as did Ambassador Richardson. They said the Engo text was not even

fair enough to be a basis for a document that could be considered.

The Engo text has been undergoing a detailed review by representatives of several nations. They want it brought more into line with the thinking in the high-technology West.

Considering all possibilities, American experts say, it is likely that consortia will be in commercial mining in about five years, either because law-of-the-sea conditions are fair enough to satisfy the consortia, because of passage of domestic legislation in several Western countries, or because the seabed miners will be operating under flags of foreign nations which are not directly represented in the consortia.

The reason: The need for minerals in nodules is too great not to get on with the mining. The need is particularly great in this country.

### U. S. self-sufficiency?

Every year, the United States uses an average of 1,500 pounds of metals per citizen. The U. S., which has only six percent of the world's population, consumes one fourth of the global mineral output.

America must reach for the nodules because 98 percent of the cobalt and

manganese, 71 percent of the nickel, and 15 percent of the copper we use comes from abroad. We spent \$1.8 billion last year for these imports.

By the year 2000, the U. S. could be self-sufficient in these minerals, thanks to seabed mining.

Mining industry officials never forget that the Soviet Union has just about all the cobalt, manganese, nickel, and copper it can use and that the Soviets get their minerals at home.

The Soviets have not played a large hand thus far in law-of-the-sea dealings on seabed mining. They have lain low for fear the conferees might write additional regulations which would restrict movements of vessels through narrow international waterways. To get out of the Baltic Sea, Soviet ships must pass through several such waterways.

Any international regulation affecting these waterways is of vital interest to the Soviet navy as well as to Soviet fishing fleets.

The U. S. has no such problem because practically all of our coastline is on open ocean.

### Bright side

So far, private enterprise has been spared one problem in connection with seabed mining.

Environmentalists apparently feel the consortia are giving proper attention to marine life. Every time experimental mining ships have gone out, experts on the environment have been aboard. The consortia have cooperated with environmentalists on all levels.

Nodules are almost invariably found in waters so deep that there is either no life down there at all or there are only tiny creatures—some of them similar to starfish—of little value and interest. There is a certain amount of curiosity, however, about marks along the ocean bottom that look like the prints of some tiny creature that has just walked by. No one knows what created the marks.

Of course, some fish will be sucked up by the vacuum cleaner devices on the mining ships, but not many, because nodule country is not fish territory.

With the next law-of-the-sea conference session only a few weeks off and with Congress still trying to hammer together a bill that will please companies, consortia, liberal congressmen, and President Carter, the situation with the environmentalists is about the brightest spot in the seabed mining picture. □

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# What Carter's Economic Program Really Means

By Robert T. Gray

The President's tax and spending proposals provide a different perspective than his rhetoric about encouraging the private sector



President Carter said he had imposed spending restraints in drafting the new federal budget, but many business leaders wondered whether a \$38 billion increase in spending and a \$60.6 billion deficit qualify as restraint.

**V**ETERAN business analysts are giving Congress dramatic evidence that President Carter's 1978-79 economic program is a far cry from the conservative, probusiness program heralded by administration spokesmen.

When the President announced his budget, tax, and economic plans in January, there was much media comment that he had moved considerably from the populist stance of his election campaign and his first year in office.

Mr. Carter, it was said, had developed a new concern about the need to encourage the enterprise system, brake federal spending, and reduce the tax burden.

This description of a change in presidential attitude is under challenge,

however, by business representatives analyzing the Carter program at hearings now being held by various congressional committees.

## Carter's plans in real life

The business experts are pointing out that the various Carter plans:

- Call for sharply increased funds for the federal regulatory agencies which have been the source of the government harassment that business objects to most.

- Actually propose, despite pervasive talk of tax cuts, that many business taxes be increased and that some deductions for individual taxpayers be abolished. Overall tax revenues would be increased by \$39 billion, or an average of \$650 per family of four.

- Fail to come to grips forcefully with the need to stimulate capital formation and ignore entirely the need for relief from the long-standing burden of double taxation of corporate dividends.

- Propose a \$38 billion increase in spending, for a total expenditure of \$500.2 billion—the first half-trillion-dollar budget ever. The spending plan also involves a \$60.6 billion deficit and an \$88.1 billion increase in the national debt, which would go to more than \$870 billion.

- Move the federal tax system further in the direction of a gross tax approach long sought by liberals and opposed by business.

- Propose establishment of a government-sponsored procedure for es-

establishing wage-price guidelines, a suggestion both labor and management view as a potential precursor of the type of controls that have proved so disastrous to the economy in the past.

### Statements that sound good

President Carter's State of the Union address, Economic Message, fiscal 1979 budget, and tax-cut proposals were shot through with statements that business could endorse completely on their face.

Among them:

From the State of the Union address—"Government cannot solve all our problems, it can't set our goals, it cannot define our vision. Government cannot eliminate poverty, or provide a bountiful economy, or reduce inflation, or save our cities, or cure illiteracy, or provide energy, and government cannot mandate goodness. Only a true partnership between government and the people can ever hope to reach these goals."

From the Economic Message—"We should rely principally on the private sector to lead the economic expansion and to create new jobs for a growing labor force."

From the Tax Reform Message—"These tax reductions are a central part of the administration's overall economic strategy, which will rely principally upon growth in the private sector to create the new jobs we need

to achieve our high-employment objective."

Such statements gave rise to the widespread media interpretation that President Carter had entered a new phase of spending restraints and appreciation of the need to encourage the growth of the private sector.

But a close examination of his specific proposals gives an entirely different perspective, business analysts point out.

### Behind the rhetoric

One of these analysts is Dr. Jack Carlson, vice president and chief economist of the Chamber of Commerce of the United States, who says that "you have to get past the rhetoric and look at the actual numbers. Once you do that, you find an entirely different situation than you would expect from the headlines."

For example, Dr. Carlson says, "I fail to see a sense of restraint in a budget that raises spending by at least \$38 billion. Spending for income security is up more than \$12 billion; defense is up \$10 billion; health expenditures, up \$5.7 billion; education, training, and several other social programs, up nearly \$3 billion, to name the major increases."

### More funds for OSHA

Of specific business concern, the National Chamber economist says, is the Carter proposal for money to finance

"a greatly increased regulatory impact on business."

The President is calling for a 17 percent increase in the appropriation for the Occupational Safety and Health Administration and a 26 percent boost in funds for the enforcement activities of the Environmental Protection Agency. The Equal Employment Opportunities Commission is to get a 24 percent spending increase, while the Federal Trade Commission budget is slated to go up five percent.

Several other government regulatory agencies also plan intensified action, as indicated by higher appropriations sought for them.

Dr. Carlson comments: "Those agencies that harass business the most have the biggest increases."

In the revenue area, he points out, most of the public emphasis has been on plans for a net \$24.5 billion cut in business and personal taxes, with lower withholding rates for individuals to take effect Oct. 1, when fiscal 1979 begins.

The President has called for reducing the corporate tax rate on the same date from 20 percent to 18 percent on the first \$25,000 of income and from 22 percent to 20 percent on the second \$25,000. The overall tax on corporate income above \$50,000 would be cut from 48 to 45 percent as of Oct. 1 and to 44 percent on Jan. 1, 1980.

Mr. Carter has proposed that the investment tax credit be made permanent at the current ten percent level. It is now scheduled to drop to seven percent in 1981. He has also recommended that the limit on use of the investment tax credit be raised to a maximum 90 percent of a corporation's tax liability, instead of the present 50 percent. The tax would be extended to cover buildings, in addition to the machinery and equipment to which it now applies.

### Long wait for relief

Several critics have questioned the amounts, scope, and timing of the Carter tax proposals.

Dr. Carlson says that, all told, the cuts are insufficient and the effective date is being delayed too long. In addition, he says, "there is not enough in there to encourage investment. It does nothing about depreciation allowances, which are not enough now to cover replacement costs, nor does it deal with the big problem of double taxation of corporate dividends."

Basically, he says, the Carter tax plan concentrates the biggest cuts at

## DOWN THE BIG-SPENDING ROAD

Along with detailed spending proposals for the next fiscal year, the annual federal budget contains a summary of estimated budget totals over a five-year span.

The projection is one of the most significant aspects of the Carter budget. It dramatizes the extent to which budget planners consider the nation locked into continuing major increases in spending. Here are the figures, shown in billions of dollars:

Fiscal Year	1979	1980	1981	1982	1983
Income	\$439.6	\$505.4	\$583.9	\$657.6	\$726.1
Outgo	\$500.2	\$542.9	\$575.4	\$612.4	\$650.0
Deficit (-) or Surplus (+)	-\$ 60.6	-\$ 37.5	+\$ 8.6	+\$ 45.2	+\$ 76.2

While the figures show that President Carter is officially standing by his pledge to arrive at a balanced budget by the end of the term he began a year ago, many economists doubt he will be able to do so.

For one thing, they question as too optimistic assumptions—on which the figures are based—that unemployment will decline to four percent in 1983 from the present level of 6.3 percent, that real growth will be 4.75 percent a year through the same period, and that the inflation rate will drop to four percent a year from the 1977 level of 6.5 percent.

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the lower income levels, which would stimulate consumption, but "essentially does nothing for the middle and upper-middle income categories that are the traditional source of capital investment funds."

#### No more deductions?

Another important perspective on the Carter tax proposals come from Robert Statham, taxation and finance manager for the National Chamber. He warns that a little-noticed but highly significant aspect of the proposals is the extent to which they would move the nation toward a graduated gross tax, with incomes taxed at flat rates at various levels and no provisions for deductions, exemptions, or individual circumstances.

While a flat tax on gross income is the ultimate tax simplification, Mr. Statham says that system would sharply increase the tax burden on business and on middle and upper-income individuals.

The Carter tax plan would wipe out or curtail a wide range of existing deductions and tax preferences. The President has asked Congress to:

- Limit tax shelters.
- Halve the deduction for business meals and eliminate that for several other forms of business entertainment and expenses.
- Curb interest deduction on state and local bonds.
- Increase the minimum tax on individuals whose deductions would otherwise leave them with no federal tax liability.
- Repeal the special alternative tax on capital gains.
- Replace the current personal exemption and tax credits with a \$240-per-person credit.
- Eliminate deductions for sales, personal property, gasoline, and miscellaneous taxes paid to state and local governments.
- Restrict medical and casualty deductions.
- Tax unemployment compensation payments of individuals who receive them during a year when their income is above \$20,000, in the case of single persons, and \$25,000 in the case of married people.
- Eliminate the special bad-debt write-off deduction for commercial banks and credit unions and reduce it for savings and loan associations.
- Phase out tax preferences for Domestic International Sales Corporations.

Mr. Statham sees these proposals as



"Entertainment is to business what fertilizer is to farming—it increases the yield." Sen. Russell Long (D-La.) made that comment in opposing President Carter's proposal to curb tax deductions for business entertainment.

PHOTO: WARREN WATSON



Henry Ford II, chairman of the Ford Motor Co., was commended by many of his listeners after a recent Washington speech in which he said that the nation can have both economic growth and a high-quality environment, "but we will not have either ... if we do not give first priority to economic growth."

the cutting edge of a growing movement within government that is aimed at eventual abolition of all deductions.

#### Chipping away

"We have a sharp bunch of liberals here in Washington," Mr. Statham says. "They are in the White House, in Congress, in the Treasury Department. They know they can't get everything they want right away, so they are chipping away. They are aiming for eventual elimination of tax deductions on mortgage interest and property taxes on homes, for one thing, but they are

willing to wait, to use the idea of tax simplification as a cover for what they really want—a gross tax."

As the number of deductions is reduced, the tax specialist says, the constituency in favor of retaining tax preferences becomes smaller and less politically influential. At present nearly one third of all taxpayers itemize deductions. That number would be reduced to 16 percent if the Carter tax plan were enacted.

"When you get to the point where five out of every six taxpayers don't care whether you have deductions or



Congress will accept no more than a third of the administration's proposals for tax increases, predicts Sen. Ernest F. Hollings (D.-S. C.), a member of the Senate Budget Committee.



A move to relieve the long-standing problem of double taxation of corporate dividends has been launched by Rep. Al Ullman (D.-Oregon), chairman of the House Ways and Means Committee.

not, then you are in a pretty good position for moving to a gross tax," Mr. Statham says. He adds that while various current tax preferences give business options on whether to turn money over to the federal government or put it to other uses, a gross tax would eliminate that flexibility.

"The people in Washington think that businesses do not have the ability to make their own decisions on how to allocate their funds," he explains. "This is the important thing to keep in mind when people start talking about tax simplification."

#### A better path?

From the business perspective, he says, the tax system could be improved by easing the onerous rates that upper-income individuals seek to avoid through tax preferences, by stabilizing the tax code instead of making major revisions in it every year, and by ending the practice of constantly increasing tax burdens under the label of simplification.

There are other pitfalls, the National Chamber tax expert points out. Abolition of the federal income tax deductions for gasoline, sales, and other state or local taxes would put pressure on legislatures to seek additional revenues through the income or property taxes, he says. That would happen, he explains, because the legislatures would prefer tax increases that would be partially offset through deductions on federal returns.

The federal government's failure to recognize the interaction of the federal, state, and local tax systems is part of the overall tax problem facing the country today, Mr. Statham says.

Business expressions of concern over President Carter's approach have found a sympathetic hearing in key areas of Congress.

#### Aid for stockholders

Rep. Al Ullman (D.-Oregon), chairman of the House Ways and Means Committee, is pressing for action this year on easing the burden under which corporate profits are taxed first as company income and then, when distributed in dividends, as shareholder income. Under his approach, shareholders would receive a partial credit against their own taxes for taxes the corporation had already paid on the distributed earnings. The credit would start at ten percent of the cash dividends and rise two points a year until it reached a maximum 20 percent in 1985.

An important goal of his plan would be to stimulate equity financing, Mr. Ullman says. "The system is out of joint," he explains. "We have too much reliance on debt financing, and the equity markets are too weak. We have to put some kind of dynamics into our system if we are to revive those markets."

Both Rep. Ullman and Sen. Russell Long (D.-La.), chairman of the Senate Finance Committee, have indicated that many of President Carter's proposals to raise taxes in several business areas, while lowering them in a few areas, face rough going in Congress. Sen. Ernest F. Hollings (D.-S. C.), a senior member of the Senate Budget Committee, predicts that Congress will approve no more than one third of the tax-increase proposals Mr. Carter has made.

#### Shades of Gulliver

As the various analyses continued and congressional committees considered the wide-ranging Carter proposals dealing with such areas as taxes, spending, and regulation, a prominent business executive was making some highly relevant remarks to a meeting in Washington.

In a speech to the White House Conference on Balanced National Growth and Economic Development, Henry Ford II, chairman of the Ford Motor Co., summed up the views of many business people at a time of uncertainty over the national economy's future health.

Mr. Ford said: "As I look at our country today, I see a powerful but uncertain and unsteady giant being trussed up in a growing web of rules and regulations to the point where it can no longer exert its strength freely and effectively. I am reminded of the story of Gulliver in the land of the Lilliputians."

"Maybe it's only a coincidence that the recent period of rapidly rising government spending and roughshod regulation also has been a period of high unemployment, slow productivity improvement, slow growth in personal income, soaring government deficits, and unprecedented peacetime inflation."

"But I don't believe it's a coincidence at all. . . . Despite a mounting record of failure and frustration, our leaders have failed to grasp the fact that too much government inevitably leads to economic decay."



To order reprints of this article, see page 80.

## A PLAN FOR ACTION

# Improving the State of Small Business

**S**mall business is in a state of declining economic strength, and this should be a concern for all Americans, especially national leaders of both government and business.

This is the warning issued in a special report on the state of small business prepared by the Chamber of Commerce of the United States and sent to President Carter and key leaders in Congress.

Actions of government are major reasons for the decline, the report says, especially in the areas of taxation and of regulation, with its accompanying paperwork. Also cited is the failure to curb inflation.

The report advocates corrective steps in these areas and urges the President to call a White House conference on small business.

Such a conference, the report says, could:

- Increase public awareness of the importance of small business.
- Examine specific problems of small business.
- Explore possible government actions to encourage the growth of small business.

The small-business owner is not ready to give up, in spite of a generally negative governmental climate, the report says, but rather shows determination and optimism. "It will be tough, but we will make it," is an often-expressed sentiment.

It need not be as tough, though, if there is action by government leaders in several key areas, many small-business owners believe.

The special report was prepared by the National Chamber's Center for Small Business.

More than 80 percent of the National Chamber's 72,000 business-firm

members employ fewer than 100 persons, and more than 25 percent employ fewer than ten workers.

Four principal sources of information were used in drawing up the report:

- Studies of experiences and attitudes of National Chamber member firms in connection with problems facing small business, such as the cost of Social Security financing and the effects of the minimum wage.
- Studies by the National Chamber's Council of Small Business, made up of 58 executives of small companies, associations, and chambers of commerce.
- Views expressed by small businessmen in a series of meetings with National Chamber Chairman William K. Eastham, president of Johnson Wax.
- Business confidence surveys conducted by the National Chamber and the Gallup Organization.

In addition to urging a White House Conference, the report makes recommendations for help to small business in four areas:

### TAXATION

Taxation, says the report, is an almost universal problem for small business. Without tax relief, many small companies will not be able to retain earnings to generate internally the capital which they need in order to stay in business and which they can obtain from no other source. Specific steps, the report says, should include:

- Increase the corporate surtax exemption to \$200,000 and reduce the normal tax rate on the first \$50,000 of income.
- Reduce rates on corporate and individual income generally.

- Liberalize depreciation provisions.
- Make the investment tax credit permanent and raise the limit on used equipment to \$200,000.
- Expand the capital gains deduction and reduce the tax rate on capital gains proportionate to the length of time a capital asset is held.
- Increase the minimum accumulated earnings credit to \$500,000.
- Allow a net operating loss carry-back of three years and a carry-forward of eight years.
- Permit a deferral of the tax on the sale of equity in a small business if proceeds are reinvested in other small businesses.
- Refund overpayments of estimated income tax when claimed, rather than at year end.
- Double the current limits on special treatment of capital losses on small business in investments under Section 1244 of the Internal Revenue Code.
- Retain present deductions for non-business interest.

### REGULATORY BURDEN

The report applauds initiatives of the administration in seeking to make the regulatory function of government more effective and less burdensome.

It commends the "commonsense" approach to enforcement announced by the Occupational Safety and Health Administration. The Regulatory Flexibility Act and the Small Business Impact Act, both now in Congress, are also cited as steps in the right direction.

The report urges that regulatory reform efforts be based on maintenance of a competitive free market system as the primary source of meeting consumer needs, with regulation only to the

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extent essential to protect health, safety, and the general welfare. Regulation, the report says, should be administered so as to eliminate uneven and inequitable enforcement as well as duplication or conflict in requirements.

Procedures, it says, should provide for prompt regulatory decisions consistent with due process, should ensure adequate consideration of costs and benefits, and should minimize compliance costs.

#### PAPERWORK BURDEN

Much of the paperwork volume so burdensome to business stems from executive agencies operating under broad control of the President, the report says. Thus, strong personal lead-

Copies of the report, "The State of Small Business," are available for \$1 each from Ivan Elmer, director, Center for Small Business, Chamber of Commerce of the United States, 1615 H Street N.W., Washington, D.C. 20062.

ership of the President is the key to effective action in reducing paperwork.

The report notes that, at the request of President Carter, the National Chamber presented a comprehensive set of recommendations for reducing the paperwork burden on business. The Commission on Federal Paperwork has now made its final recommendations, and these are compatible with those of the National Chamber. The report urges that the administration immediately implement commission recommendations which do not require changes in the law.

#### INFLATION

Inflation, the report notes, may be the most intractable economic problem of our time, and effective leadership in the federal government can help control it.

Maintenance of an independent Federal Reserve System is necessary if inflation is to be reduced, the report says. It says the independent Federal Reserve is the one element in the federal establishment that most consistently tries to combat inflation.

The National Chamber, the report adds, supports the administration in its announced intention to balance the federal budget and to hold spending to a fixed percentage of the gross national product.

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# Why Labor Unions Are Worried

Membership rolls are declining as American workers take a new look at their own interests

PHOTO: DENNIS BRICK—BLACK STAR



Some union leaders think George Meany, 83, is one cause of the falloff in union membership. They say he has held on too long as president of the AFL-CIO.

**E**XECUTIVES of American labor unions are warily watching sets of statistics which indicate how the business of organizing and keeping union members is progressing.

They don't like what they see. Recent years have not been good ones for them. And there is no sign of an early turnaround.

Most telling evidence is that the American Federation of Labor-Congress of Industrial Organizations—largest of all labor groups—suffered losses of 500,000 members out of a 13.5 million total between October, 1975, and last October.

These setbacks occurred during a period when the nation's labor force grew by five million and when large numbers of women and minority workers became eligible for union membership for the first time.

In approximately the same period, all unions lost more than 760,000 members.

## Independents slip, too

Among the independent unions, long-term membership trends are down for the United Automobile, Aerospace, and Agricultural Implement Workers of America, commonly known as the UAW. In both 1956 and 1973, the UAW had a larger membership than its present 1,460,000. During the past two years, with automobile sales

climbing out of recession doldrums, UAW membership has increased only 121,000.

The United Mine Workers dislikes giving out membership totals. But it is known that, despite increased coal mining since 1973 due to the nation's energy problems, UMW membership has edged up less than 7,000, to approximately 160,000 active miners. The UMW often quotes larger membership figures, but these bloated figures include retired workers.

The percentage of coal miners who are UMW members has dropped to the point where union miners now dig only 50 percent of the nation's coal, while six years ago they dug 70 percent. In state after state, the percentage of union-dug coal is dropping.

This partially accounts for the fact that union strikes in the coalfields are not as damaging to the nation's economy as they once were.

The International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers, known simply as the Teamsters, also dislikes making membership figures public. Totals, however, are known to be down from the 1.9 million high of 1973 by about 20,000.

Several groups in the education field, which, in essence, are unions, have lost members, too.

The largest is the National Educa-

tion Association, with 1,759,000 members as of the start of 1978. This figure was up from 1,679,000 for May, 1977, but down from 1,886,000 for May the year before.

The drop of 207,000 was due to loss of members in New York State who broke from the NEA.

Between May, 1977, and early 1978, the NEA increased its overall membership by approximately 100,000.

#### **Beaten in elections**

American unions represented almost 40 percent of the nonagricultural work force 30 years ago. Today they represent only 25 percent.

Unions have never fared so badly in representational elections as they have in the past five years.

Figures compiled by the National Labor Relations Board in Washington show that, in four of the five years, unions failed to win at least 50 percent of such elections. The unions' worst batting average was in 1973, when they won only 48.1 percent of the elections. Their next-worst year was 1977, when they won 48.2 percent.

Other NLRB figures show that, generally speaking, elections which unions won involved fewer workers than those which unions lost. For example, in last year's 8,635 elections, 528,866 workers were eligible to vote. In the contests which resulted in union victories, 207,769 employees were eligible—only 39.3 percent of the workers involved in all the elections.

Unions, meanwhile, were losing considerable ground in offices and plants where in previous years they had been certified as bargaining agents. Of 849 decertification elections held last year, unions won only 204.

#### **Permanent slowdown?**

Does all of this represent a permanent slowdown in American unionization? Quite naturally, union leaders say they think that the slowdown is temporary and that, once the economy is percolating along again at high speed, union representation will be on the rise.

The AFL-CIO is quick to point out that the union movement, like nearly everything else, has a history of both ups and downs. But it is safe to say



Most prominently mentioned as Mr. Meany's successor is Lane Kirkland, 55, secretary-treasurer of the AFL-CIO. He is considered to be Mr. Meany's choice. He is also in the Meany mold, a factor which could hurt his chances.



Sol C. Chaikin, 60, president of the International Ladies' Garment Workers' Union, could wind up at the AFL-CIO helm if there is enough sentiment that a different style of leadership is needed there.

that few, if any, dips in union membership have been as precipitous as in recent years.

One period that saw sharp reductions was the early part of the Great Depression of the 1930's, when millions of people were thrown out of work and left with little money to live on, much less to pay unions in dues.

Later in the 1930's, unions went on bold membership and organizing drives and, despite the continuing Depression, grew rapidly.

Soon after World War II and during the early 1960's, union membership again spurted ahead. One particularly good year for the union movement was 1945, when unions won 4,078 of the 4,919 representational elections.

Big losers in total membership in recent years among AFL-CIO affiliates have included unions in steel mills, the shoe industry, electronics plants, and machinist shops.

Not all unions have lost membership. Among those with increased rolls are unions in construction, the public sector, and services.

The fastest growing union is the American Federation of State, County, and Municipal Employees, an AFL-CIO affiliate.

In 1970, this public service union had 442,000 members, in 1975 it had 683,000, and last year the total reached 760,000.

A spokesman for the AFL-CIO largely blames union losses on "the poor

national economic situation of the past year or two." He explains: "High unemployment that persists has, of course, cost us members. Normally, in depressed economic times, it is harder for a union to get members and win representational elections than it is in good times."

### **Blaming multinationals**

Another reason for the membership drop, he adds, "is the widespread loss of jobs inside the United States when American multinational corporations transfer their manufacturing abroad and use foreign workers."

George Meany, 83-year-old president of the AFL-CIO, blames the unions' membership troubles also on "anti-union tactics by employers," as well as on foreign imports and changes in the nature of the work force.

A Labor Department official agrees that the economic situation has helped reduce union membership and influence. The official also cites automation, which allows employers to achieve the same, or more, production with fewer workers, and the moving of scores of businesses and manufacturing plants from states that have a high degree of unionization to right-to-work states.

### **Worker disenchantment**

In addition, the official says, there has been worker disenchantment with many unions for a variety of reasons.

For example, he says, "there is a rather general feeling that unions pay too little attention to fighting inflation, which eats up paychecks faster than unions can win raises for the workers."

"There is also anger among workers in unions which have involved them in what they perceive as unnecessary, damaging strikes. This is part of the disenchantment with unions that we are seeing in many sectors of manufacturing and other business."

"Also, there are those workers who feel that they are no longer blue-collar types. They, to put it bluntly, feel they are a bit too good to be members of unions."

Finally, the official says, "the numbers and percentages of management employees have increased recently and, of course, in most shops management people are not in unions."

### **Aging union force**

Peter F. Drucker, business, economic, and social science commentator, points to another problem which is a cause for worry among labor leaders. Industries most heavily unionized, he notes, are often old industries which are—at least temporarily—in decline. The shoe industry is a case in point.

Also, the work forces in such industries tend to be aging, with smaller infusions of new blood than they once got.

Mr. Drucker notes that Americans who might otherwise be expected to go into unskilled blue-collar work when they are 18 or 19 now go on instead to junior colleges and technical schools for two or three years.

### **Meany's long tenure**

Another cause for anxiety among labor leaders is a subject that is somewhat taboo at many union headquarters.

Some union leaders say Mr. Meany, who is at the start of his 13th two-year term, has hung on too long as AFL-CIO president. New thoughts and spruced-up appeals to young workers are few and far between at the AFL-CIO's spacious headquarters on 16th Street in Washington—just across Lafayette Square from the White House, whose occupant Mr. Meany helped to elect.

Organized labor has not gotten the support from President Carter that its leaders expected. This is another item held against George Meany by his detractors.

The AFL-CIO is made up of more than 100 national and international

## **WHERE UNIONS WILL BE BARGAINING THIS YEAR**

The year 1978 got off to a rough start on the labor front, with coal miners on strike.

What will the remainder of the year bring?

It is difficult at this point to say how many other strikes there will be, but numerous union contracts are due for renewal.

"During the course of any one year, approximately 3,500 labor-management agreements come up for negotiation," Under Secretary of Labor Robert J. Brown says.

Then Mr. Brown ticks off information on the collective bargaining agenda for 1978. He lists these industries and the numbers of workers involved with contract expirations:

The U. S. Postal Service, with

600,000 workers; the railroads, with 500,000; the construction industry, with 409,000; the airlines, with 77,000; the East Coast and Gulf Coast shipbuilding industry, with 49,000; the offshore maritime industry, with 34,000; and the West Coast longshore industry, with 11,000.

"Beginning on March 30," Mr. Brown says, "the construction industry will face the first of a series of contract expirations. By that date, some 48,000 carpenters, plumbers, iron workers, bricklayers, operating engineers, laborers, and others will be seeking an agreement on new contracts."

The months of April, May, and June will see about two thirds of the year's negotiations.

unions. From time to time, the labor federation has been rife with factionalism, and this has been the case as Mr. Meany has hung on to the presidency. Some factions want him to stay, some want him to go.

For some time, it has generally been accepted that Lane Kirkland, 55-year-old secretary-treasurer of the AFL-CIO, would succeed Mr. Meany. Mr. Kirkland is in the Meany mold, which causes leaders of several AFL-CIO unions to wonder if Mr. Kirkland wouldn't be more of the same after Mr. Meany finally departs.

Recently, Sol C. Chaikin, 60, president of the International Ladies' Garment Workers' Union, has been mentioned as a possible Meany successor. His strength, it is said, is that he is not a Meany-type leader. Therefore, he commands support in the anti-Meany camp.

For years, the Amalgamated Clothing and Textile Workers has been trying to unionize plants throughout the South, especially those belonging to J. P. Stevens & Co., Inc. The struggle has been long, hard, and generally unsuccessful for the union. Failures such as this have added to the discontent within unions over tactics.

#### Low public esteem

Contributing to the failures has been apathy toward unions, or dislike of them, among the public. Several polls have shown that the union movement is low in public esteem. In one poll, union leaders ranked near the bottom, while business leaders showed an upsurge in the respect they command.

Another trend in unionism is worth noting: There have been indications that a shift from left to right has been taking place among union workers.

There seems to be less radicalism in the union movement now than ever before.

#### It's their wealth

For example, William W. Winpisinger, president of the International Association of Machinists and Aerospace Workers, which is part of the AFL-CIO, has been saying he favors some sort of redistribution of the wealth throughout the U. S.

There has been no outpouring of union support for the idea, even among his own union's members.

American union members are so well-paid, and have been for so long, that they realize much of their own wealth would be distributed to non-workers under Mr. Winpisinger's plan.

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## 6,000 invisible welds

Observe that beneath its high-gloss enamel, the 450SEL body is a semi-monocoque or "unitized" structure—a steel hull in effect, studded with no fewer than 6,000 electric welds.

Between the time it first enters and finally leaves the paint shop, this body acquires 77 pounds' worth of protective coatings applied in 9 steps. Anti-corrosion wax is even sprayed into hollow recesses like the insides of the rocker panels before they are permanently sealed.

## Almost 5 feet of hiproom

The 450SEL body shell is the largest Mercedes-Benz builds in volume production and the word for its interior space is ample. Yet this so-called "big" Mercedes is contained within an overall length of less than 18 feet—and at 73.6 inches of width is actually *slimmer* than a Nash Rambler compact of 28 years ago.

Linked to its own separate axle, each rear wheel of the 450SEL is freed to act on its own. Result: the left wheel can hit a bump or a dip without affecting the right, and vice versa. Each shock absorber has an upper chamber filled with oil and a lower chamber filled with pressurized *nitrogen* gas as a cushion against vibration.

Excessive vibration is good for neither a car nor its occupants. The engine's rubber-insulated mounts are augmented by two special hydraulic shock absorbers nestled on either

side of the 450SEL's 4.5-liter V-8.

Examine the steering system and you will find yet *another* shock absorber, expressly meant to soak up thumps and bumps before they reach your hands on the wheel.

## A black box that isn't there

The engineers eliminated pushrod-actuated valves and their adjustment (as well as their clatter) from the 450SEL engine by giving it overhead camshafts instead. Fuel injection is standard—but note: Mercedes-Benz began using fuel injection so long ago (in 1954) that the 450SEL has passed beyond the computerized "little black box" concept to a CIS, or Continuous Injection System, of simplified *mechanical* design.

## 2 agile tons

If you could peek inside the 450SEL's 3-speed automatic transmission you would find that all shafts and gears in the mechanism are mounted on roller or ball bearings.

This two-ton automobile is maneuvered via a power-assisted steering system based on the recirculating-ball principle. You can ease from lock to lock in a mere 2.7 turns.

## Count all the brakes

It is an intriguing fact that the 450SEL is fitted with *six* separate brakes, of two different types:

□ Four disc brakes, each 11 inches in diameter, provide the basic stopping force. The front discs are honey-combed with internal ventilation slots for more rapid heat dissipation.

□ Two drum brakes, one at each rear wheel, handle parking and emergency braking needs.

## Velour, veneer, bituminous foil

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You can specify either leather upholstery or plush velour at no extra cost. You should know that inside the seats are five separate layers of padding and lining, laid overtop a network of steel springs.

Those rich filets of trim that look like walnut veneer *are* walnut veneer. That dashboard clock is not a clock—it is a quartz-crystal chronometer.

**Final revelation:** The 60-page Mercedes-Benz brochure covers safety features built into the 450SEL and other models. This makes fascinating reading before you buy the car, and comforting reading afterward.

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The drive in Congress to raise the mandatory retirement age from 65 to 70 has wide-ranging implications for business, government, and labor. It would affect everything from corporate retirement practices and pension plans to the future of Social Security and Medicare. The view among workers is varied: Some, still healthy and vigorous, would like to stay on the job. Others, tired of the old grind, are grabbing at the chance to retire at even earlier ages.



PHOTO: IMAGE BANK

## THE FIGHT OVER MANDATORY RETIREMENT

# How Old Is Old?

By Vernon Louviere

There's an increasing furor over the right age for mandatory retirement, and Congress appears to be ready to say it isn't 65 anymore

**W**HEN Otto von Bismarck was chancellor of the German Empire in 1889, he created what was probably the first formal national old-age pension program.

Faced with having to define the start of old age, he settled on age 65 and made it stick. Bismarck was 74 at the time, but did not consider himself ready for retirement. He was also holding down the jobs of premier, foreign minister, and minister of commerce.

A few years later, Britain enacted a similar program and pegged the start of old age at 70. But that was soon dropped to 65. Other Western nations followed Bismarck's lead. The United States joined in with passage of the Social Security Act in 1935.

For almost a century, no one has seriously challenged the use of age 65 for purposes of defining old age, even though it is based on nothing more than the arbitrary act of a single individual whose decision was apparently unsupported by medical or other scientific data.

### Foes line up

But now the Bismarck benchmark is being challenged on a broad front in the United States.

Congress is on the verge of raising the mandatory retirement age from 65 to 70 for millions of American workers and eliminating required retirement because of age for federal government employees altogether. Bills have been passed by both houses, and differences are being ironed out by a joint conference committee.

The forces on either side of the issue are formidable.

Business generally is against the proposition, for a variety of reasons.

A wide array of politically influential groups—from the American Association of Retired Persons to the American Civil Liberties Union—favor raising the retirement age.

The AFL-CIO opposed the change for a while, but backed off when the House approved an amendment allowing a two-year wait before retirement adjustments could be made in collective bargaining agreements currently in force.

One major management consulting firm, in a confidential report to clients, has this to say:

"The drive to ban compulsory retirement has vast implications for business, government, and labor, affecting everything from corporate retirement practices and pension plans to the future of Social Security and Medicare and the collective bargaining process itself.

"It also has raised the possibility that, with increased public awareness of age discrimination in mandatory retirement practices, people of all ages might claim age discrimination in employment to be as much a matter of individual human or civil rights as the legal bans against discrimination on the basis of race and sex, outlawed by the Civil Rights Act of 1964."

### New political force

Controversy over mandatory retirement comes at a time when persons 65 and over are becoming a major political force in this country and can be counted on to make more and more demands over issues that affect their

lives. In 1900, these elderly accounted for only four percent of the total population. Today they represent about ten percent. By the year 2030, estimates show, there will be more than 51 million Americans over 65 and they will make up 17 percent of the population.

Proposals to change the retirement age are in the form of amendments to the Age Discrimination in Employment Act of 1967, which made it unlawful to refuse to hire men and women between 40 and 65 for reasons of age alone.

This is regarded in some quarters as another infringement on the affairs of business. A number of companies which have mandatory retirement at varying ages—and have geared pension programs accordingly—now would have to conform with new standards set by government.

Arguments pro and con on whether the retirement age should be increased are wide-ranging.

### Arguments against

Some of the opponents claim that raising the ceiling would:

- Make it difficult for employers to set job performance guidelines for determining when an employee has lost effectiveness and must accept retirement.
- Slow down the upward mobility of young and middle-aged employees.
- Hinder hiring of larger numbers of women and minority workers, as required by government edict, because fewer jobs would be available.
- Adversely affect employee benefit plans as well as personnel policies.
- Increase medical, sickness and ac-

cident, and group life insurance rates paid by employers since premiums are higher for older workers.

### Arguments for

Proponents, on the other hand, say lifting the "cap" on retirement would:

- Provide employees with a hedge against inflation by allowing them to work beyond age 65.

- Ease some of the strain on the Social Security fund because employees, increasing their work years, not only would pay more into Social Security, but would draw out less since their retirement years would be shortened.

- Give individuals more options after age 65.

- Keep scarce skills in the work force longer.

- Eliminate the harsh psychological blow of forcing a person to retire before he is ready to do so.

Further, proponents often point to the adverse medical aspects of forced retirement, citing this statement by The American Medical Association:

"Arbitrary segregation of individuals because of arbitrarily determined chronological age is not healthy for the nation or the individual. The sudden cessation of productive work and earning power of an individual, caused by

compulsory retirement, often leads to physical and emotional illness and premature death."

One concern to business which is not widely discussed is the rash of discrimination suits that might be filed by older workers discharged because they no longer could perform their jobs. It would be up to the employer to prove that the discharge was not based on age discrimination. Because of the cost of defending themselves, many companies simply might take the easy way out and let unproductive workers hang on until they chose to retire.

### Many won't stay

While many employee polls favor doing away with mandatory retirement at age 65—principally because many workers want to reserve the right to retire when they choose—increasing numbers of employees are taking advantage of financial inducements offered by their employers which enable them to retire at an even younger age.

No one knows for sure how many workers would stay on the job if age restrictions were set aside. The number could be substantial or it could be minimal.

Sears, Roebuck and Co. made a detailed survey of its employees to deter-

mine when they would like to retire. It predicts that the number of job openings for all U. S. workers would be reduced by 680,000 between 1978 and 1982 if the retirement age were raised to 70, because one third of normal retirees probably would stay on the job.

Such a trend is borne out by Sears's own experience. In 1976, 29 percent of Sears employees not exempt from mandatory retirement at 65—a relative handful—are permitted to stay on beyond that age—chose to work until 65. But in 1971, only 20 percent chose to stay on until that age.

On the other hand, Bankers Life and Casualty Co., which has no mandatory retirement, reports that only four percent of its work force was age 65 and over in 1977. Connecticut General Life Insurance Co., which eliminated compulsory retirement not long ago, says that only two of 50 employees eligible to retire decided to stay on last year.

According to a Labor Department estimate, raising the mandatory retirement age would increase the labor force by only about 175,000 to 200,000 persons out of more than 90 million workers.

General Motors, which uses age 68 as the compulsory retirement point for its hourly employees, says that, in the

## HELPING EMPLOYEES OVER RETIREMENT HURDLES

Concerned over the psychological shock that strikes many retirees, and the fact that many employees refuse to accept the realities of retirement, a growing number of employers are offering preretirement counseling. This covers such areas as finances, health, relocation, and life-style adjustment.

AT&T some years ago started an organization called the Telephone Pioneers of America, whose membership is open to both preretirement and postretirement employees. Its major thrust is to ease the problems of retirement. About a third of its 500,000 members are retired workers. AT&T offers them films, speakers, literature, and the like, to help them cope with retirement.

Last year, Sears, Roebuck and Co. appointed an ombudsman to work with retirees. Harry A. Johns, the ombudsman, says he can call on a wide range of experts both inside and outside the company for answers to

problems bothering retired Sears employees.

Citicorp sponsors several seminars annually at its Manhattan headquarters where employees nearing retirement can learn about benefits, finance planning, Social Security, and health matters. Additionally, Citicorp offers eight workshops annually, for smaller groups, which are conducted with materials from the American Association of Retired Persons. Here, doctors, lawyers, Social Security specialists, real estate officials, and others are brought in to discuss specific retirement problems.

IBM, in addition to counseling preretirement employees, helps them pursue educational interests. In 1976, IBM introduced a Retirement Education Assistance Plan which pays up to \$500 a year, for a maximum of \$2,500, to employees 52 and older who attend accredited educational institutions. The employee can study anything he wishes.

Retirement counseling has become a flourishing business. One company with a long list of blue-ribbon clients is Retirement Program Services, of New York City.

Julian Brodie, the company's founder, predicts that retirement counseling will expand even further if and when Congress increases the minimum age for mandatory retirement.

Mr. Brodie, whose clients include Chemical Bank, CBS, and the Airline Pilots Association, has a staff of 22 specialists who tailor counseling programs to the needs of individual companies. Every conceivable retirement problem is covered.

"Initially, when we start a program for a company, attendance may not run more than 40 to 60 percent of the men and women facing retirement," Mr. Brodie told NATION'S BUSINESS. "The attitude is always the same: 'Hey, they're out to get rid of me.' When the holdbacks learn otherwise, they start turning out, too."

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period 1950 through 1976, a total of 60 percent of its retiring hourly employees did so before age 65, and 13 percent retired at the mandatory 68-year cut-off.

### **Hinder more than help**

In all likelihood, the legislation clearing Congress will exempt corporate executives who receive at least \$20,000 or more in employer-provided retirement benefits, exclusive of Social Security, as well as teachers with unlimited tenure at private and public institutions of higher learning.

Some of the major objections of the business community to the proposed legislation were spelled out by Arthur C. Prine, Jr., a vice president of R. R. Donnelley and Sons Co., Chicago, in an appearance in behalf of the Chamber of Commerce of the United States last year before the Labor Subcommittee of the Senate Committee on Human Resources.

"We are concerned that the legislation would create more problems than it would solve and could hinder more than help the elderly who seek employment or continued employment," he testified.

Emphasizing that the legislation also would make it more difficult for minorities, women, and young people to get jobs, he said: "For those groups whose journey up the employment ladder has only recently begun, the ladder will look longer."

### **Pension plans dilemma**

Mr. Prine says the legislation would play hob with private pension plans which link benefits to years of service or set a maximum age for entry into a plan. He explains:

"An employer is thus able to predict the costs associated with such plans. However, by eliminating the mandatory retirement age, an employer has no way of determining who will become entitled to benefits at some fixed time in the future or the length of service of any particular employee, thereby making employer costs difficult to estimate."

Some of the arguments for letting workers remain on the job after 65 are clearly aimed at attaching the label "age discrimination" to all compulsory retirement plans.

Rep. Claude Pepper (D-Fla.), a leader in the congressional fight to lift the mandatory retirement age and ban it in the federal government, says:

"Mandatory retirement is a cruel euphemism camouflaging age discrimi-

nation and forced unemployment. With the surety of a guillotine, it severs productive persons from their livelihoods, shears their sense of self-worth, and squanders their talents. The elderly of this country who want to work and are able to work deserve the opportunity to work. They are tired of promises. They demand action."

### **Forced into dependency**

Lauren Selden, coordinator of the Anti-Age Discrimination Project of the National Retired Teachers Association and the American Association of Retired Persons, told a Senate committee:

"Mandatory retirement is the system that puts the stamp of respectability on age discrimination."

Mr. Selden says many men and women idled solely because of age rather than loss of ability are forced into dependency—"a dependency upon inadequate pensions, Social Security, welfare, the support of children."

He adds: "The real dollar costs of age discrimination are probably not calculable. Nor is the cost paid by a society that consigns its older population to a second-class citizenship."

"A nation or a state professing to believe in the doctrine of equal protection of the law cannot sanction ageism in employment."

On the other hand, many employers claim boosting the retirement age would place them in the awkward position of having to force out older employees who no longer could handle their jobs properly and who normally would simply retire.

For example, George A. Skoglund, executive vice president of Bank of America, told the House Select Committee on Aging:

"From a humanistic standpoint, one of the advantages of mandatory retirement is that it protects the dignity of those individuals who would otherwise be singled out and forced to retire because of declining productivity. Abolition of mandatory retirement will damage the self-esteem of these employees and undoubtedly lead to a substantial increase in age discrimination complaints."

### **Equality argued**

A major reason for wanting to retain the mandatory retirement system, Exxon Co., U. S. A., says, is the assurance it gives employees that they will all be treated equally.

"The issue of mandatory retirement appears to us in Exxon to be directly

related to adequacy of retirement income rather than to a widespread desire by individuals to continue working at their regular jobs beyond mandatory retirement age," Henry J. Lartigue, Jr., Exxon's manager of employee relations, told the same committee.

"It is our opinion that mandatory retirement at a specific age assures that all employees will be treated equally and minimizes disputes concerning retirement. Therefore, it reduces ill will between employees and the company. It clearly signals a target time for employees to have planned their retirement emotionally, psychologically, and financially."

Largely because of extremely generous pension benefits available to all its employees, Exxon has seen an increasing number of workers leaving the job early. Over the past few years, for every employee who retired at 65, four other employees chose early retirement, according to Mr. Lartigue.

"Up to this time we have not perceived a need, nor have we been asked by the unions that represent our employees, to provide employment beyond the normal retirement age of 65," he told the committee.

### **Early retirement trend**

The picture is much the same at Ford Motor Co., where retirement is mandatory for all workers covered by United Auto Workers contracts and for most nonunion hourly and salaried employees.

In the period 1974 through 1976, 14,703 employees retired at Ford. Of this number only 1,165—7.9 percent—worked as long as they were permitted.

"For the employee, mandatory retirement avoids the stigma of being otherwise judged individually and found to be substandard on the basis of work capacity," a statement submitted by Ford to the committee said.

"An impending known retirement age causes employees to plan for their retirement. Conversely, employees who are requested to retire unexpectedly will not have time to plan and thus will experience difficulty in preparing for and adjusting to retirement. Time is provided to retired employees, many of whom receive a substantial percentage of their final pay, to pursue other activities and interests while they still have the capacity to do so."

More and more unions are accepting the fact that there is nothing magic about age 65, and they are pushing for earlier retirement for their members.

One of the pioneering efforts in this

area was engineered by the United Steelworkers of America in 1966 when it negotiated the so-called 30-and-out provision in its contracts. This means a worker can retire as soon as he has worked 30 years, regardless of age, and without loss of accumulated company pension benefits.

Similar contract provisions have been negotiated by the United Auto Workers, the United Rubber Workers, and the International Brotherhood of Electrical Workers, to name a few. For example, a clerical worker at the Chrysler Corp. who went to work at 19 was able to retire recently at the age of 49.

One of the arguments advanced by business is that, by having somebody retire at 65 instead of 70, several promotions can result at lower rungs on the ladder. This reasoning is also used by colleges and universities which want to turn tenured professors out to pasture at a younger age than 70.

During debate in the Senate last fall on an amendment which would exclude tenured professors from the retirement legislation, Sen. Daniel Patrick Moynihan (D-N.Y.) argued that it would cost one institution alone in his state—New York University—about \$9 million over a ten-year period if these highly salaried professors were allowed to continue working beyond the normal retirement age.

"This is \$9 million which NYU does not have, has not budgeted, has no new source to furnish, and which I suggest nobody in this Congress seems intent upon providing," Sen. Moynihan asserted.

#### Costs a factor

Sen. Claiborne Pell (D-R.I.) cited the case of Brown University, where he is a trustee, which had to reduce its faculty by 15 percent because of financial problems. With 70 percent of its faculty tenured, that meant the cut had to be made in the remaining 30 percent, requiring the release of many newly hired blacks and women.

Peter Drucker, management consultant and social scientist, says changing or abolishing the fixed retirement age is inevitable, but will create many problems.

For employers it will mean developing guidelines to determine when employees reach the point where they become incapable of discharging their duties and must accept compulsory retirement.

If fixed retirement at age 65 continues, Mr. Drucker says, 40 percent of

every employee's pay would have to be used to support older people on retirement. That figure could rise to 50 percent by the end of the century, creating an unbearable political situation.

#### Age suits expensive

Employers are understandably concerned that the threat of age discrimination suits would grow if the retirement age is raised and they are compelled to retire older persons solely because of declining productivity.

Two highly publicized cases in re-

cent years are evidence that discrimination suits can be costly.

In 1974, Standard Oil Co. of California, in an out-of-court settlement, consented to pay about \$2 million to 160 employees who claimed they were discharged because of their age.

In another case, the Labor Department went to federal court to seek \$20 million for 300 employees who claimed they were forced into retirement by the Baltimore and Ohio Railroad and the Chesapeake and Ohio Railway before they had reached 65.

Even where age is a critical factor in

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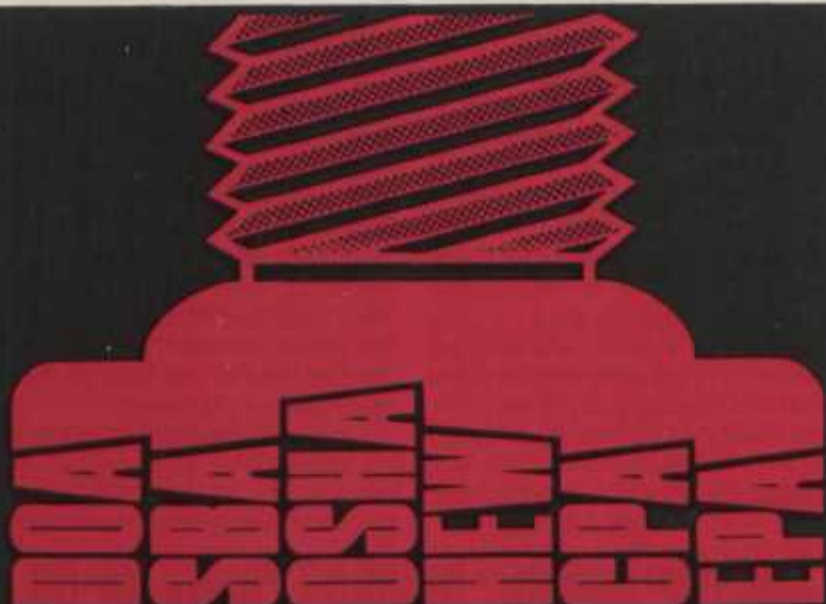
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a job, an employer can invite trouble if he is not careful.

McDonnell Douglas Corp. grounded a 52-year-old test pilot because of his age. The U. S. Supreme Court rejected McDonnell's contention that age is a bona fide qualification for the job of testing supersonic jets because of the hazards involved. The Labor Department, intervening on the part of the pilot, had argued that older pilots, "are likely to have more experience and better judgment."

Business, however, has won one round—in the area of whether an employer can retire an employee before 65 under a pension plan that already was in effect when Congress enacted the age discrimination law in 1967.

The U. S. Supreme Court last December upheld the right of United Airlines to retire a 60-year-old pilot who had joined the company's retirement plan in 1964.

Writing for the majority, Chief Justice Warren E. Burger said that "we find nothing to indicate Congress intended wholesale invalidation of retirement plans instituted in good faith before [the law's] passage, or intended to require employers to bear the burden of showing a business or economic purpose to justify bona fide preexisting plans. . . ."

When Congressman Pepper, who is chairman of the House Select Committee on Aging, held hearings last year, he invited testimony from a number of prominent Americans, all over 65, who are still active in their careers. Some appeared, some sent letters.

They included former governor and diplomat Averell Harriman, 85; actress Ruth Gordon, 80; attorney Thomas "Tommy the Cork" Corcoran, 76, a member of the Roosevelt brain trust; Ambassador Ellsworth Bunker, 83; actor Will Geer, 75; actor John Wayne, 70; comedian George Burns, 81; and Lowell Thomas, 85.

## Famous last laugh

Lowell Thomas wrote that he was too busy to come to Washington. He was doing a new television series, completing another book, and working on a half dozen other projects.

George Burns begged off, too. He was working on a TV special, getting ready for a two-week booking in Las Vegas, and on the road a lot publicizing his latest motion picture.

"Personally, I think mandatory retirement is ridiculous," he wrote the committee. "Imagine retiring at 65! When I was 65, I had pimples." □

# Taking America's Economic Temperature

By John Holusha

Uncle Sam has been revising statistical reports that measure the economy, and more revisions are due. This account will help you understand the changes

**M**ARK TWAIN once observed that there are three categories of falsehood: "lies, damn lies, and statistics."

Others may share this sentiment about statistics, but three sets of numbers issued in Washington are closely watched as indicators of the national economic health, just as blood pressure and temperature readings are used to measure physical health.

The statistics—the federal government has revised or is in the process of revising all three—are what have been known as the Consumer Price Index, the Wholesale Price Index, and the Employment Report.

Literally billions of dollars are at stake in what they say.

## The spread of indexing

As inflation has continued to plague the economy, more and more groups have succeeded in getting their wages and benefits indexed, with the Consumer Price Index the usual standard of measure.

Businesses with labor contracts tied to the CPI feel the increases most directly; the contracts cover some 8.5 million workers. But more than 50 million other people—federal workers, Social Security recipients, retired military, and food stamp recipients have their pay or benefits linked to the CPI. According to the Bureau of Labor Statistics, a one percent upward movement of the price index can trigger \$1 billion in total additional payments.

Changes in the employment figures can have consequences that are just as

significant. High unemployment levels tend to push political leaders into stimulative policies even at the cost of massive budget deficits and continued inflation. Local levels of unemployment influence the allocation of \$17 billion of federal economic aid to state and local governments.

And wholesale prices, while they don't have the direct impact of the other figures, are precursors of what's to come at the retail level.

## Two consumer indexes

The revisions of the closely watched indicators are an effort to keep them in step with changing times. "There's no question," BLS Commissioner Julius Shiskin says, "that statistics get out of date. You have to update them."

An abrupt change has already taken place in the Consumer Price Index, which has become two indexes. The CPI for Urban Wage Earners and Clerical Workers roughly corresponds to the old index and covers about 40 percent of the population. BLS's shiny new entry is the CPI for All Urban Consumers, which will track the prices paid by more than 80 percent of all Americans.

This measure brings in professionals, self-employed businessmen, the retired, the unemployed, and the poor—all ignored by the old index. (The military and those in rural areas are still excluded.) BLS had wanted simply to substitute the broader index for the old one, but pressure from organized labor, which wanted a worker-based measure, persuaded Congress to pro-

vide money for both. In addition, the old CPI will be kept alive until July to allow time for adjustment in labor contracts.

## Comparison shopping

The new indexes are the result of a \$50 million, eight-year effort to pin down prices at the grass roots. Essentially, what is involved is comparison shopping on a massive scale. Each month, BLS data collectors visit carefully selected stores and other businesses to check the price of products and services.

Items checked are the components of a "market basket" which is supposed to reflect spending patterns of a typical urban family. Along with food, shelter, and clothing, the basket includes insurance, medical care, and other services. Since there are two indexes, there are two market baskets now.

To determine what to put in each, and how much weight to assign each item, some 40,000 families across the country were surveyed at length about their spending habits. In the end, 265 product and service categories were made common to both baskets, although with different weights. All urban consumers, for example, put 42.9 percent of their expenditures into housing, compared to 39.8 percent for the worker-based index.

## Cranky computer

Both new indexes will build on the old one, with 1967 prices as the base.

The new market basket is actually



## THE MAN BEHIND THE FIGURES

The man who heads the Bureau of Labor Statistics, the agency which handles federal collection and analysis of wage-price and employment statistics, has been handling figures for the government since 1942.

Julius Shiskin, 65, spent most of those years at the Census Bureau, but he was chief of statistics for the Office of Management and Budget for four years prior to being named BLS commissioner in August, 1973.

Mr. Shiskin, a short, balding man who peers around a heroic nose, is acutely aware of the cynics' old saw that "figures don't lie, but liars can figure." That is the reason, he says, that the BLS commissioner is one of the few government bureaucrats with a fixed term of office. It is four years.

"When the Congress set up this office 94 years ago, the fixed term was provided to protect the commissioner from political pressures," Mr. Shiskin says. "Nobody suggests that the numbers could actually be twisted—that would be almost impossible—but the danger is in shading the interpretations."

Mr. Shiskin's stature is such that he was named to a second term last summer despite the change in administrations. That doesn't mean every-

one is pleased with the statistics his agency produces. An annual revision of the unemployment figures generally brings loud squawks as a revised seasonal adjustment is cranked in.

"An awful lot of money is riding on these figures, so people get mad and scream at us," Mr. Shiskin says. "I don't blame them." The revision of the 1977 figures showed that unemployment had really been dropping all year, rather than stuck at nearly seven percent as earlier reports had indicated.

Mr. Shiskin observes that happy developments can trigger as many complaints as bad. "Some people who are backing a very big stimulus program don't seem to welcome good news," he says. "I guess they're afraid their program will be killed, so they say the figures must be wrong."

He says it is his bureau's carefully honed sense of balance that is behind the recent emphasis in the monthly employment releases on the total number of people employed.

"Our job is to be neutral," he declares. "While unemployment always gets the headlines, it seems appropriate to call attention to changes in employment as well."

five years old—the delay in using it is a result of the complexity of preparing the data and of a cranky computer at BLS. The market basket is a considerable improvement over the one it replaced, which dated back to 1960.

Consumption habits change so rapidly these days, as new products are introduced, that the bureau is planning quarterly surveys of buying patterns that will be used to update the market basket regularly, instead of merely making a major update every ten years as was done in the past.

Although BLS is taking a coy, only-time-will-tell attitude on whether the new indexes will go up more or less quickly than the old index, the new measures will probably respond more quickly to price fluctuations.

Price checks will be made more frequently, with some that were made every three months now being made bimonthly, and some that were bimonthly now monthly. Critical products will be checked throughout the month, instead of just in a selected week.

BLS is also making a greater effort to provide regional data, since most people are more interested in the prices they have to pay than a national average.

Four metropolitan areas (Miami; Portland, Oregon; Scranton, Pa.; and Denver) will be added to the 24 that now have their own monthly or bimonthly indexes. For those left out, there will be breakdowns by size of city and part of the country. Thus a small metropolitan area in the north-central part of the country or a major metropolitan area in the West will be able to approximate local price changes.

### Early warning system

Price changes at the producer level act as an early warning system for the inflation that eventually is expressed in the consumer price indexes. Until late last year, these prices were measured by the Wholesale Price Index. Then BLS began to emphasize what it calls the Finished Goods Price Index in preference to the Wholesale Price Index.

BLS official W. John Layng says the changes were made because the old index "was not a reliable indicator of inflation." The problem, he continues, was that the old index involved double and sometimes triple counting of price changes. A wholesale price increase for automobiles probably reflects increases in the price of steel and iron ore. Since steel is a basic component of

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cars and is itself derived from the ore, an increase in the raw material price would be counted three times in the old index.

The Finished Goods Index measures only price changes of commodities in the form in which they will be sold to final users. BLS will also issue indexes for crude and intermediate products as well as continue to publish the old Wholesale Price Index, now called the All Commodities WPI.

"The severe inflation of 1972 through 1974 dramatized the difference between the all commodities and finished goods indexes," Mr. Layng says. From December, 1972, to December, 1973, the WPI increased 15.4 percent, compared to 11.8 percent for the Finished Goods Index. The following year, the WPI was up 20.9 percent, compared to 18.3 percent for the other measure. But in 1974-75, a period of recession, the WPI rose only 4.2 percent, compared to 6.6 percent for the Finished Goods Index.

Another disadvantage of the All Commodities WPI, Mr. Layng says, is that "it just looks at aggregates; you can't tell at what stage of processing the inflation is occurring." By breaking the aggregate index into three components, price changes can be monitored at the crude material, intermediate, and finished product levels.

#### **A broader sweep of industry**

Also, a change of considerable substance is under way that should make the indexes representative of the broad sweep of American industry.

According to Mr. Layng, the producer price indexes currently cover half of U. S. industry (as measured by the official classifications) either weakly or not at all. Major industries such as computers and newspapers are completely ignored. BLS is working on improving its coverage. The goal is to incorporate all 493 mining and manufacturing industries in the indexes by the end of 1983. Four or five will be added this year, and the rest will be fed into the index calculations as they are prepared.

This comprehensive revision will replace what Mr. Layng describes as "a haphazard program of updating" that dates back to the first attempts to monitor industrial prices in the early 1900's.

Another goal is to eliminate the distorting effect of list price changes that do not represent real increases. "We're doing better at getting discounts," Mr. Layng says. "We'll be pricing more

## **PINPOINTING PRICE CHANGES**

The new wholesale price indexes will pinpoint where price changes are taking place.

Say that in Year 1, wheat costs ten cents, flour costs 20 cents, and bread costs 50 cents. In Year 2, wheat costs 15 cents, flour 25 cents, and bread 55 cents.

Under the old index which mea-

sures all commodities, that would work out to a 17.3 percent overall increase if all the items had equal weights. The new indexes would show a 50 percent crude material increase, a 25 percent intermediate material increase, and a more modest 11.1 percent boost at the finished goods (or wholesale) level.

transactions in the finished goods sector, and we'll use the transaction prices, not list prices."

Certainly no numbers that come out of Washington, with the possible exception of the annual budget deficit, pack the emotional wallop of the monthly employment and unemployment figures. Nor are any figures subject to such differing interpretations.

At a recent White House conference on the economy, Vernon Jordan, president of the Urban League, looked at the drop in the unemployment level and denounced the counters. "By defining people out of the labor force, the official figures look better, but unemployment still exists, [and] it still crushes peoples' lives," he thundered. Fellow panelist Reginald Jones, chairman of General Electric Co., took the same statistics and observed that an all-time record 58 percent of the working age population had jobs. The economy, he added, had created seven million jobs in just two years.

Any effort to change the calculations, however outdated they may have become in concept and method, would be sure to raise howls from various corners. Mr. Shiskin acknowledges the problem. "These programs are so important to the public—they affect economic policy and pocket-

books—that it would be unwise for us to make unilateral changes," he says.

Instead, with Mr. Shiskin's support, Congress has followed what he terms "the time-honored course of appointing a committee of distinguished people" to study the statistics and make recommendations. The National Commission on Employment and Unemployment Statistics has nine members, including Jack Carlson, vice president and chief economist of the Chamber of Commerce of the United States, and is chaired by Sar A. Levitan, a noted labor economist. [See "Seeking a More Meaningful Gauge of Joblessness," *NATION'S BUSINESS*, November, 1977.]

#### **Who are really employed?**

According to Dr. Levitan, the current employment statistics are rooted in concepts designed in a federal project 37 years ago. The result, he says, is that the data "do not reflect the policy needs of today. American society has changed a lot in 37 years."

One of his favorite examples is the definition of employment. "We say now that anybody who works one hour a week is gainfully employed. Is that still a practical definition? That's something we'll have to look at."

Another problem is how to count those in military service. While the

## **WHAT PRICE QUALITY?**

To prevent an upward bias from creeping into the Consumer Price Index, so-called quality improvements are factored out of price increases that go into the index.

It might be news to the millions who struggled with cars that were hard-starting and cranky because of early antipollution controls that the controls

are considered quality improvements.

However, the Bureau of Labor Statistics says: "Although ... the utility to the purchaser is difficult to determine, these devices do improve quality for consumers in general. ... Consequently, quality adjustments are made for pollution controls to automobiles."



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course buyers still use C&P lines, so they have to pay for their calls. But they no longer have to pay rental charges for their *equipment*.

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## Nation's Business

draft was in effect, it made sense to exclude service people from the labor force. With the advent of an all-volunteer service, the military has become a factor in the labor market.

Yet another question is how to treat 16 and 17-year-olds—an important question because of the increased attention being given youth unemployment. "I don't have a definite conclusion yet," Dr. Levitan says. "On the one hand, since most state laws let you work at 16, the argument is to count 16 and 17-year-olds. But 90 percent of them go to school, so you could say they are not in the labor force."

### Hardship index

Despite the significance attached to it, Mr. Shiskin stoutly maintains the unemployment level is a measure of labor market performance, not social distress. "With the benefits now available, the unemployment level is no longer a good measure of economic hardship, if it ever was," he says.

Dr. Levitan's answer is to propose creating another number, a hardship index that would incorporate salary levels and hours worked. "If there are workers who have involuntary part-time jobs or incomes that have them living in poverty, I consider that a failure of the labor market," Dr. Levitan says. A hardship index would be a useful tool for policy makers, he feels.

Mr. Shiskin agrees. "An economic hardship index would be a useful supplement to the information we get out now, as long as it is not used in place of the employment statistics," he says.

Whatever the final decision, it will be some time before the headlines start pronouncing that the hardship level soared or plunged last month. The commission has 18 months to complete its work, which then undergoes a review by the Labor Department. Once the changes have been agreed upon, there is the matter of obtaining and processing the data. So, Mr. Shiskin says, "you're talking about implementation in about four years."

### Another stream of numbers

Waiting in the wings is yet another stream of new numbers.

"One of the areas of our work that has not been reviewed recently is the wage area," Mr. Shiskin says. "There's a commission on wage statistics in the mill that's waiting for funding by Congress."

MR. HOLUSHA reports on economics and business for "The Washington Star."

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# 66<sup>th</sup> ANNUAL MEETING

## Program in Brief

### SUNDAY, April 30

10:00 a.m.	<b>REGISTRATION DESK OPEN</b>	Washington Hilton
8:00 p.m.	(All Tickets at Registration Desk)	
2:00 p.m.	<b>NATIONAL CHAMBER EXHIBITS AND DISPLAYS</b> A unique opportunity for business and chamber executives to preview a broad range of outstanding programs, services, publications, videotapes, films and other materials developed and made available by the National Chamber for the use of Federation members. . . . and a spectacular NATION'S BUSINESS display on the industrialization of space.	National Chamber Building and Washington Hilton
4:00 p.m.	<b>NATIONAL CHAMBER RECEPTION</b> A special social occasion to meet and exchange greetings with old and new friends, Washington dignitaries, National Chamber officers and directors.	National Chamber Building
6:30 p.m.	<b>SMALL BUSINESS DINNER</b> The dinner program will honor small business and document the tremendous strides that the National Chamber Federation has taken during the past year in the cause of small business. It will show how chambers of commerce are focal points of small business interests and activities in America.	Washington Hilton * Admission by Ticket \$27.50

### MONDAY, May 1

8:30 a.m.	<b>THE GRASS ROOTS REAWAKENING OF AMERICA</b> This program will dramatize the vital role that the business community at the grass roots is taking once again to lead the Nation back to public policies that are consistent with America's fundamental principles. The program will show how grass roots America can reassert itself and prevail in today's increasingly complex social and political environment.	Constitution Hall * Admission by Ticket \$20.00
12:00 Noon	<b>AMERICA AT THE TURNING POINT</b> America's experience with the false promises of economic liberalism has set the stage for the re-emergence of public policies and actions that are in keeping with our basic principles. Is the liberal era ended? Are current conservative trends real? Will they last? This program will answer these questions and point the way toward bold and new national policies.	Washington Hilton * Admission by Ticket \$22.50
2:30 p.m.	<b>NEW ALTERNATIVES FOR PUBLIC POLICY</b> These simultaneous sessions, sponsored by the National Chamber Foundation, will provide innovative alternatives to current and emerging problems that affect the business community and the American people in general. New and provocative ideas, resulting from National Chamber Foundation research will be unveiled.	Washington Hilton * Admission by Ticket \$15.00
Special Sessions	<b>★ IMPROVING OUR HEALTH</b> Action to provide, at reasonable cost, quality health care for the American people.	
	<b>★ THE RIGHT OF PRIVACY AND THE NEED FOR OPENNESS</b> Identifying and resolving the contradictions between the thrust toward openness in government and business and the rights of individual privacy.	
	<b>★ PRIVATE SECTOR ALTERNATIVES TO SOCIAL SECURITY</b> Practical steps toward providing a funded retirement for America's older citizens, and toward alleviating the future tax burden on younger members who otherwise would have to provide for transfer payments to older persons.	
	<b>★ BACK TO THE PEOPLE</b> Practical steps that can be taken to get rid of an outmoded federal program that has turned out to be inefficient, inequitable and insensitive to the feelings of the American people.	
	<b>★ STRENGTHENING AMERICA'S COMPETITIVE POSITION</b> A priority program of positive actions to overcome government constraints and lead to expanded exports and investments by businesses of all sizes.	
evening	<b>STATE CONGRESSIONAL DINNER/RECEPTIONS</b> For detailed information write the National Chamber. Ticket prices arranged by State Chambers and Associations.	Various Locations

# of the Chamber of Commerce of the United States

## April 30, May 1-2, 1978 Washington, D.C.



### TUESDAY, May 2

#### 7:40 a.m. AMERICA'S RELIGIOUS PRINCIPLES

**66th Annual Meeting Breakfast** This program will emphasize the significant parallels between America's ethical values and its fundamental economic and social beliefs.

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#### 9:45 a.m. THE AMERICAN ECONOMY

**Second General Session** This session will provide up-to-date facts on the level of confidence that the business community has in the American economy. It will show major elements of the Administration's plan to deal with economic problems, and will explore the degree to which this plan is likely to restore confidence and reinvigorate the economy.

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\*Admission by  
Ticket \$20.00

#### 12:00 Noon (Be sure to check one on Ticket order form)

**Three Concurrent Luncheons** These three luncheons will provide timely programs on challenges facing the business community and will suggest courses of action that can overcome problems and lead to success.

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★ **INTERNATIONAL LUNCHEON: WORLD TRADE PROSPECTS**

★ **ENERGY LUNCHEON: ENERGY—THE NEW ROUND OF CHALLENGES**

★ **ELECTION LUNCHEON: VICTORY FOR AMERICA'S PRINCIPLES IN THE 1978 ELECTIONS**

**2:30 p.m.** These three simultaneous sessions will recognize individual business and organization accomplishments of the past year and will provide "how to" advice and guidance to improve performance further during the year ahead.

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**Special Sessions**

- ★ **THE NEW ROLE OF WOMEN IN WORLD BUSINESS AFFAIRS**
- ★ **LABOR RELATIONS—HOW TO PROMOTE THE MUTUAL INTERESTS OF EMPLOYER AND EMPLOYEE**
- ★ **LEADERSHIP PROGRAM FOR ORGANIZATION EXECUTIVES**

#### 6:30 p.m. 66th ANNUAL RECEPTION/DANCE AND DINNER OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

The outstanding festive event of our 66th year at which the new National Chamber Board of Directors and honored guests will be introduced.

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• <input type="checkbox"/> Special Session		\$15.00	\$
<input type="checkbox"/> <b>Tuesday</b> —Annual Meeting Breakfast		\$12.50	\$
• <input type="checkbox"/> Second General Session		\$20.00	\$
<input type="checkbox"/> Tuesday Luncheon (Check one)			
<input type="checkbox"/> Energy <input type="checkbox"/> World Trade <input type="checkbox"/> Election		\$22.50	\$
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<input type="checkbox"/> 66th Annual Dinner		\$40.00	\$

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## LESSONS OF LEADERSHIP

# The Man Who Runs General Motors

Thomas A. Murphy, chairman of the world's largest manufacturing company, has king-sized responsibilities. But they have not cost him his zest for business or for life

**T**O BE CHAIRMAN and chief executive officer of General Motors Corp., largest company in an industry so vital to the U.S. economy, is to be at the summit of the business world. When Thomas Aquinas Murphy speaks, not only the automotive industry listens. So does the rest of business and much of American society in general.

Such high rank could affect anyone. But the rarified atmosphere of his dual offices in GM buildings in Detroit and New York seems to have had little effect on Murph's attitude toward people and life.

Murph is precisely what a lot of people at GM call Tom Murphy, and some of them rank far below him in the company hierarchy.

"I kind of like being called Murph," he says. "People have been calling me that all my life. My older brother used to be called Big Murph, and I was Little Murph."

"Now, here at GM, there is another Tom Murphy. He is a divisional comptroller at Chevrolet. They call him Young Murph and me Old Murph. Well, I don't like that so much."

A journalist's conversation with Tom Murphy, who is 62, can be a contest. Mr. Murphy is a master at diverting talk from a subject that may not be to GM's advantage. He does the diverting so nimbly, so politely, that the interviewer later looks at his notes and says: "That Murph, he didn't answer me on that subject at all."

### In love with his company

Tom Murphy stands close guard over GM and its welfare. He admits he suffers when criticisms about his beloved company reach him. Conversely, he is pleased when praises come.

He cannot understand why everyone does not love GM as much as he does.

Recently, after spending more than

an hour talking with a NATION's BUSINESS editor, Tom Murphy chased after the visitor down the hallway to show him a letter that had just arrived. Mr. Murphy was ecstatic. The letter was from the owner of a 1956 Chevrolet who told how well his old heap was still running.

That letter obviously meant more to Tom Murphy than the profits that would have come from the sale of four or five later-model Chevrolets to the proud owner.

### A slow start

As a boy, Tom Murphy did not appear destined for the career he later carved out.

He was born in Hornell, N. Y., and at six moved to Buffalo. His family was not poor, but it also was not particularly well off, and the Depression of the 1930's was a testing time. The family later moved to Chicago, where Tom graduated from high school in 1932.

There was little family money for college, and Tom Murphy was not fired with educational ambition anyway, so college was delayed. Tom, a big, strong fellow who had played high school basketball, took a job slinging ice in a Chicago icehouse during the summers of 1932, 1933, and 1934.

"Most of the winters, I loafed around the house living on the money I made in the summers," he recalls. Then a friend asked if he wanted to be an "ice jockey" all his life, and the answer was an emphatic "No." In 1934, he told his pleased family he had decided to go to the University of Illinois.

He was in line to register, his mother standing guard to keep him from changing his mind and peeling off, before he finally made up his mind as to what he wanted to study. "Commerce," he told the Illinois registrar at the last possible moment. "Then I'll go into business."

### Route to the top

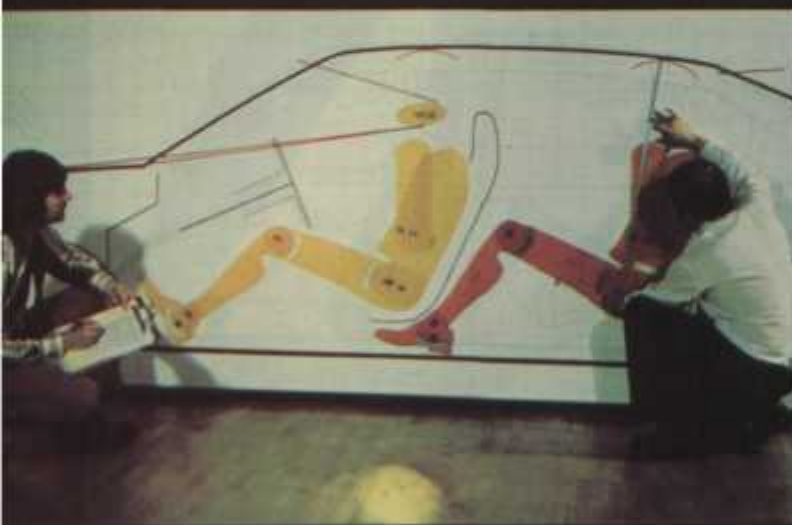
He played guard and tackle on Illinois "B" football teams and graduated in 1938. Then he went to work as a clerk on the GM comptroller's staff in

# General Motors





One of the premier cars of American motoring—the Caddy—rolls slowly along a General Motors assembly line. Cars are put together at a steady, smooth, and efficient pace. There is no frantic rushing around—workers are usually veterans who know their jobs. Here, shiny new cars are nearing the end of the line. The master of GM, Thomas Aquinas Murphy, reminds one of his assembly line—smooth, disciplined, and efficient.



Designers and engineers in General Motors's Cadillac division think of effective use of space and safety of drivers and passengers when they lay out a new model. In recent years, they have added another requirement—to reduce the weight of cars and thereby cut gasoline consumption. The same factors must be considered when other designers are laying out new models of smaller GM cars.



Detroit. Fifteen days later, he was sent to New York on a temporary basis. That temporary stay, with time out for U.S. Navy service as a lieutenant in World War II, lasted 29 years. Tom Murphy rose through the ranks with good work in accounting, statistics, corporate forecasts, and financial analysis.

In 1967, he was elected comptroller of GM, with headquarters in Detroit. In 1968, he became treasurer. Two years later, he became a vice president and group executive in charge of GM's car and truck group, and two years after that, he was elected vice chairman of the board of directors and a member of the board's finance and executive committees.

On Dec. 1, 1974, he reached the height of heights—chairman and chief executive officer.

### **Modest goal**

"When did you get the idea you were going to hit the top at GM?" he was asked recently.

"I guess it was the day the bonus and salary people came in and talked with me," he said. "The special review committee of the board also came in and talked about possibilities of my moving up top."

"Truthfully, I never aspired to the top. I guess when I started to work for the corporation my main concern was having a job that would be steady and give me some reasonable compensation. If I could achieve that, I felt that was the only goal that I had."

Throughout his GM career he has been known as a person who could be relied on. A high-ranked GM executive says of him: "I've never known anything I could take down to the bank and cash as easily as Tom's word on something."

GM is reducing the size of its cars—downsizing, the process is called. But there is no downsizing of decisions. Everything about GM is huge. There are 797,000 employees, and the gross for 1977 was \$54.9 billion, with profits of more than \$3.3 billion.

The automobile business goes up and down, but during the three years of Tom Murphy's stewardship, the trend at GM has been strongly upward in sales and profits.

### **Keeping his sense of humor**

A sample of the kind of decisions Tom Murphy makes is a recent one which called for going into the debt market for \$600 million to finance the redimensioning of cars. Making such

decisions might tear up a set of nerves.

Not Tom Murphy's. He retains his sense of humor, and he remains a likable person. He is on a work treadmill, and he knows it. He can't get off as long as he is top man at GM—retirement is automatic at 65—and he knows this also. Still, he takes time to laugh, especially at himself.

He loves to cite the famed Murphy's Law (framed by a Murphy who is no relation to him). It states that, if anything can go wrong, it will go wrong, and it will go wrong at the worst possible moment.

Tom Murphy, who has a home in the Detroit suburb of Bloomfield Hills and an apartment in New York City, gets a few good laughs a day, walks down long hallways at GM offices just to kid his associates, plays golf, goes for brief holidays in Florida with his beloved wife, Catherine, whom he calls Sis, and spends as much time as possible with his children and his grandchildren.

All this keeps him on an even keel. That's good, because he is the flywheel for the world's largest manufacturing firm, and if Tom Murphy gets off an even keel, the business world wobbles.

Things have been going well for GM and most of the automotive industry in recent years, and prospects for the future are good. This helps make Tom Murphy a happy man.

Here, in an interview conducted in his office high above Central Park in New York, Mr. Murphy speaks to NATION'S BUSINESS on a variety of subjects.

### **Mr. Murphy, American cars are getting smaller. How small will they get?**

They will be smaller than they are today. At GM we have led the way in reducing size already. Cars will be lighter also. But we intend to keep the same comfort characteristics, the same conveniences—all the attributes that owners now find in their cars.

At the same time, we intend to meet our own and other standards that are required by law. We intend to continue offering a variety of cars so our customers can find the cars that they want.

### **Will future cars be better than those we now have?**

We are going to improve our technology. There will be more diesel-engine cars that achieve fuel economy standards required in legislation. We will have more electronics in cars, better transmissions, and more efficiency in operation.

Also, we will use lighter materials. Reducing weight is more important than reducing overall dimensions. We know that people want a vehicle that fulfills their motoring needs in the total sense.

Washington is not willing to accept the fact that more than 20 percent of American families include five or more people. Family members want to travel together, maybe not on every trip, but often. They want to take the cat and dog along on vacation trips. In other words, they still want a fairly big car.

### **What was the main trigger for GM's redesigning of its cars?**

We embarked on redesign before the 1973 energy crunch. Long before the oil embargo, we knew that, as Americans, we were being wasteful and that we would have to produce more fuel-efficient cars.

When the embargo hit, the cheese became more binding. So we accelerated the new design program.

### **You mentioned more diesels. What about electric cars?**

They are coming.

The battery is the main problem. GM is the world's largest manufacturer of batteries. But batteries are heavy, and thus far they don't give an electric car the range and performance characteristics that fit the American need. We have all sorts of research going on into lightweight batteries that show promise.

What we are after is a power-source battery that will provide a 500-mile range for a car carrying two or more people, along with luggage or groceries and that sort of thing, at a top speed of 50 miles per hour.

### **Are there gadgets and accessories now, that people are not aware of, that will be in cars of the future?**

Yes, and we will be adding still more as technology brings them along.

As I said earlier, we will put more electronics aboard. There will be digital readouts. You will be able to look at what fuel economy you are getting as you are getting it. There will be clocks showing elapsed time since the start of a journey, time still to go, and number of miles still to go.

### **What about the sealed engine that needs no maintenance?**

Eventually, we are going to get an engine, perhaps an entire vehicle, that needs almost no maintenance. This



Tom Murphy never wants to be caught without papers he needs. He carries three briefcases on some trips.

would make it a lot easier for us to make vehicles that meet emission and fuel economy standards that are required over a long period of time.

We have come a long way toward this in producing carburetors that are set at the factory in accordance with performance characteristics and then are not touched for the life of the car.

**What was involved in last year's controversy over changing engines from one GM car to another?**

It was the interdivisional usage of engines—something which is not new at GM or in the auto industry, and something we firmly believe is lawful and proper.

Modern business leaders spend a lot of time with politicians and civic leaders. Here, Mr. Murphy is at a luncheon with Detroit Mayor Coleman A. Young.



We used V8 engines produced in a plant operated by Chevrolet in some Buick, Oldsmobile, and Pontiac cars because we wanted to satisfy customer demand for V8 engines in those 1977 cars. All the engines we used are part of the GM family of engines and offer quality performance and durability.

To assure customer satisfaction, we took an unprecedented action in our industry: We offered to exchange the cars or, in the alternative, to furnish a fully paid insurance policy on the power train for 36 months or 36,000 miles from the date of original delivery. Still, some lawsuits were filed over the matter.

In mid-December, we reached agreement with the attorneys general of 44 states to settle their litigation. We did this in the belief that disposing of their cases without the additional expense and demands of full-scale litigation was in the best interests of GM, its dealers, and the customers involved. Our attorneys are working in various courts and with other lawyers who are involved to implement the settlement as quickly as possible.

**Mr. Murphy, if you did not drive a GM car, what would you drive?**

I have a hard time figuring out why anybody would buy anything but a GM car.

**You are avoiding my question.**

Well, I have such a wide choice of GM cars that I don't think I will ever have to decide what else to drive.

You know, few people in the United States really have to trade for a new car on any given day. Usually, a person keeps a car three or four years before trading it in, and the car that is traded still is in good shape, with a lot of miles yet to go and a lot of years yet to run. The buyer usually takes a while to decide what he wants, and he shops around. He may take weeks.

Eventually, the buyer chooses a new car because what he sees looks good and seems to be one that is worth the money. GM cars look good and they are worth the money, so shopping around can be a waste of time—we think.

**How does GM keep tabs on its competition?**

We don't have to do any industrial spying, if that is what you mean.

We keep up with our competitors mainly through trade magazines. This is a beautiful thing about the automobile business. Everybody is interest-

# The Lazy Man's Way to Riches

**'Most People Are Too Busy Earning a Living to Make Any Money'**

I used to work hard. The 18-hour days. The 7-day weeks.

But I didn't start making big money until I did less—a lot less.

For example, this ad took about 2 hours to write. With a little luck, it should earn me 50, maybe a hundred thousand dollars.

What's more, I'm going to ask you to send me 10 dollars for something that'll cost me no more than 50 cents. And I'll try to make it so irresistible that you'd be a darned fool not to do it.

After all, why should you care if I make a \$9.50 profit if I can show you how to make a lot more?

What if I'm so sure that you will make money my Lazy Man's Way that I'll make you the world's most unusual guarantee?

And here it is: I won't even cash your check or money order for 31 days after I've sent you my material.

That'll give you plenty of time to get it, look it over, try it out.

If you don't agree that it's worth at least a hundred times what you invested, send it back. Your uncashed check or money order will be put in the return mail.

The only reason I won't send it to you and bill you or send it C.O.D. is because both these methods involve more time and money.

And I'm already going to give you the biggest bargain of your life.

Because I'm going to tell you what it took me 11 years to perfect: How to make money the Lazy Man's Way.

O.K.—now I have to brag a little. I don't mind it. And it's necessary—to prove that sending me 10 dollars...which I'll keep "in escrow" until you're satisfied...is the smartest thing you ever did.

I live in a home that's worth \$100,000. I know it is, because I turned down an offer for that much. My mortgage is less than half that, and the only reason I haven't paid it off is because my Tax Accountant says I'd be an idiot.

My "office," about a mile and a half from my home, is right on the beach. My view is so breathtaking

that most people comment that they don't see how I get any work done. But I do enough. About 6 hours a day, 8 or 9 months a year.

The rest of the time we spend at our mountain "cabin." I paid \$30,000 for it—cash.

I have 2 boats and a Cadillac. All paid for.

We have stocks, bonds, investments, cash in the bank. But the most important thing I have is priceless: time with my family.

And I'll show you just how I did it—the Lazy Man's Way—a secret I've shared with just a few friends 'til now.

It doesn't require "education." I'm a high school graduate.

It doesn't require "capital." When I started out, I was so deep in debt that a lawyer friend advised bankruptcy as the only way out. He was wrong. We paid off our debts and, outside of the mortgage, don't owe a cent to any man.

It doesn't require "luck." I've had more than my share, but I'm not promising you that you'll make as much money as I have. And you may do better; I personally know one man who used these principles, worked hard, and made 11 million dollars in 8 years. But money isn't everything.

It doesn't require "talent." Just enough brains to know what to look for. And I'll tell you that.

It doesn't require "youth." One woman I worked with is over 70. She's travelled the world over, making all the money she needs, doing only what I taught her.

It doesn't require "experience." A widow in Chicago has been averaging \$25,000 a year for the past 5 years, using my methods.

What *does* it require? Belief. Enough to take a chance. Enough to absorb what I'll send you. Enough to put the principles into action. If you do just that—nothing more, nothing less—the results will be hard to believe. Remember—I guarantee it.

You don't have to give up your job. But you may soon be making so much money that you'll be able to. Once again—I guarantee it.

The wisest man I ever knew told me something I never forgot: "Most people are too busy earning a living to make any money."

Don't take as long as I did to find out he was right.

I'll prove it to you, if you'll send in the coupon now. I'm not asking you to "believe" me. Just try it. If I'm wrong, all you've lost is a couple of minutes and a postage stamp. But what if I'm right?

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If I return your material—for any reason—within that time, return my uncashed check or money order to me. On that basis, here's my ten dollars.

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ed in cars, so a lot of stuff is written about them. We probably have more statistics on where we are vis-à-vis our competitors—in market penetration, production planning, and forward planning—than any company in any industry.

**Some Americans would rather believe that auto companies have teams of spies poking around, wouldn't they?**

Maybe so, but that would be a waste of time and money. I tell our people to concentrate on the customer, on customer needs, and what we can do to meet these needs. I tell them not to worry about what the other fellow is doing.

**What percentage of GM business is automotive?**

About 90 percent. The other ten percent includes locomotives, earthmoving equipment, diesel engines for nonautomotive uses, appliances, and some other things mostly related to motors.

**Does the average American still have what has been called a love affair with the automobile?**

It may not be a love affair any longer, but it is a happy marriage.

**In the old days a man might have shot a fellow who stole his horse. Should you shoot someone for stealing your car?**

Some customers feel that way.

Sort it out. Like a horse in the old days, a car represents mobility. It enables you to earn a livelihood and do many other things. Most of us outside of big city areas depend on our automobiles every day. If we are deprived of the use of our car even for an hour or two, it goes against us.

You are entitled to get shooting mad, but fortunately we now live in a more civilized society than people did in the old days.

**Perhaps you can give us your thoughts on why, in any given year, more than 11,000 American companies go bankrupt.**

I'll tell you why. Those companies don't satisfy the customer. They either don't make a product that customers want, or they aren't able to offer their products at prices that attract customers.

**You often speak against excessive governmental regulation of business.**



Mr. Murphy has reached GM's top, but he has not lost his sense of humor. He loves a good laugh in a speech.

**If you could do the cutting, what regulations would you cut first?**

I would first take a look at all existing regulations and try to sort out the ones that produce the least benefits for mankind and have the highest costs to business. I would get rid of those.

In writing a new regulation, I would make darn sure what benefits the new regulation might bring to society, what costs companies would have to pay to meet the regulation, and also if there would be longtime value in the regulation.

If there were true benefits, yes, then we should pay the costs and have the new regulation. If it turned out the other way, then we should not have the regulation.

What we can't appreciate in this business are regulations that say, for example, that guardrails must be so many inches from the floor. Some government fellow comes in and measures our guardrails and says: "You are two inches off." In reality, the guardrail is perfectly good and safe. But we have to go to the big expense of changing all of our good and safe guardrails.

That's nonsensical.

**You are referring to Occupational Safety and Health Administration regulations?**

Yes, OSHA. But there are other regulators, too. OSHA isn't the only one.

**You're a good Irishman, aren't you? Your name is Murphy, your mother was an O'Grady, your daughters are named Maureen and Catherine, and your wife's maiden name was Maguire.**

My wife says I'm not all that Irish. My forebears have been in America for a long time. Besides, I have a lot of German in me, too. That's a good combination—Irish and German.

I have roots in Ireland, of course, but I'm not positive just where they are. Some of my ancestors came from County Mayo—I do know that. My wife knows more about this sort of thing than I do.

Actually, I've been to Ireland only once. A couple of years ago, I went over to visit a fine GM facility just outside of Dublin.

In the past, the Irish marched to a different drummer than many Americans. They didn't spend all of their time in the pubs, but they did operate more slowly than we do. Now the Irish are seeing that industrial activity has to come, and they are moving fast with the changing times.

The younger ones are certainly different from the old-timers.

**You worked in an icehouse during the Depression and delayed going to college. Do you regret the delay?**

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No. It was one of the best things that ever happened to me. There was a maturing process that I got behind me before I went to college.

If you can make sure your youngsters will actually go back to school, then having a hiatus, when they can get out in the workaday world, is a good program to follow. Education can become a lot more significant during a year or two of waiting to go to college.

I was only 16 when I graduated from high school. Before I went to college a couple of years later, I grew up, and I began to appreciate an education.

However, I will say one thing: It was difficult getting back into that study routine.

No hard and fast rules, please, but—somewhere along the line—most of us need a taste of the real world as youngsters. Some people need it between high school and college. Some need it between college and graduate school. Of course, all of us are different. It's difficult to judge a youngster's potential.

A friend of mine has twin boys. When they graduated from high school, one twin was good academically and the other wasn't. An educator

told the boys' parents they would be wasting their money sending the son to college who did poorly in high school, but to send the smart one for sure.

The parents still have the report cards for the son who wasn't supposed to be up to university study. He had straight A's at Dartmouth and outpaced his twin who was supposed to be so smart.

The twin who was poor academically in high school was one of those fellows who obviously didn't need to wait a while before going to college. Maybe his brother could have used a pause before going on.

In my case, as I've said, the hiatus helped.

#### What gives you real pleasure?

Family and friends. I like my family and friends, and I like being with them. I like to watch my grandchildren coming along. Thank God, they are all so different. Each is an individual.

You have been described as a two-briefcase man. Do you really carry two briefcases?

When I go to New York for board meetings, I carry three. I carry things in them that I may need in a hurry. I never want to be without data and materials that I may need.

If I have to wait for something for some reason, I always have reading materials I can pull out and get through—magazines or whatever. Some of this stuff may lie in my briefcases for weeks before I get to it.

#### Where do you vacation and relax?

My wife and I bought a little place down in Florida during a rash moment about five years ago. I like to go there and sit.

The only problem is, I can't stay long enough or go often enough.

When I get on the plane to go to Florida, I immediately start to unwind. Just getting on the plane does it. My wife says everything is fine until about two days before I am to start back. That's when I tighten up. I start to pack, and she says my gears begin to shift back into high.

You are known as an optimist, but you can't be eternally optimistic. What gets you down in a hurry?



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The fact that we at GM are still not getting all the customer satisfaction, all the market impact, all the understanding on the part of our critics and some government people that I feel we might fairly expect.

What discourages me is for people to tell us that they don't believe we are sincere or that they don't believe what we say at all.

When that happens, we just have to try harder to get our messages across and to do a better job.

On my low days, I want to lock myself up in a closet for a while and then come out charging.

I guess we all have good and bad days.

Dick Gerstenberg, who came along ahead of me as chairman of GM, used to quote Jim Roche, another former chairman, as saying that the worst time of the day is in the morning when the general counsel shows up and says: "Someone is bringing a big suit against us."

Then right behind him comes the vice president in charge of public relations—and then you know that everybody in the world knows about the suit, and they all want a statement.

Dick said he'd had the same experience. Of course, the media wants the trial to be that day and the hanging the next day.

#### Do you spectate or participate in sports?

I play golf horribly, and I don't play often.

I usually part company with my companions on the tees, and I don't see them until the greens. I hook and slice and get to parts of the golf course that they don't know exist. I mean I play out in the jungle, in tiger country.

My wife bought me a stationary bicycle last spring, and I put a couple of miles on that each day. Do you call that participating or spectating?

While I do the cycling I do some reading—I usually read "Sports Illustrated." That gives me a double dip in sports—the magazine and the cycling. Not bad.

#### What about other sports?

I used to go to games often—baseball, football, hockey, or whatever. When I first moved to New York, I thought it was heaven having the Yankees, Giants, Dodgers, and the other

teams. Doubleheaders? I would go an hour before game time and stay to the last out. If it rained, I waited out the rain.

Now I rarely go, but I see some games on TV. I read and look at TV at the same time. When something exciting is going on, I watch.

So I see the best parts of the game and read, too.

#### You must have wonderful health to keep up your pace.

The Lord blessed me. I have Him to thank, plus my ancestors and my parents. The Lord gave me the ability to sleep at night—not as long as I might want to, but I generally rest well. If you can attack problems during the daytime after a good night of sleep, you are a little more effective.

There is something else besides good health.

I have some fine associates around here who have offices close to mine. To work off my frustrations, I often go in and kick them in the shins.

That helps a lot.



To order reprints of this article, see page 80.

## And here's Canon's full line of solutions for your copier problems.

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For more demanding copy needs, there's the Canon NP-L7 with ADF that automatically feeds and collates up to 40 pages. The popular NP-L7 for copies up to 11"x17" in either book or sheet mode. Or the NP-1824 for copying newspaper-size originals up to 18"x24".

Whatever your copying requirements, whatever size office, one of Canon's full line of NP plain paper copiers was exactly designed for you.



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## Business Life-Style



PHOTO: PEBBLE BEACH CRISP

The 18th hole at Pebble Beach Golf Links, a favorite course of many businessmen, is said to be the most difficult finishing hole in golf.



PHOTO: BARRY BAUM

Businesswoman Jean Carry is a champion at Kenwood Golf and Country Club.



Mrs. John Rhodes, wife of a Myrtle Beach, S. C., restaurateur, holds a flag at Dunes Golf and Beach Club. Companions include developer James Hackler (left) and Gidget Harrelson, motel office manager.

# A Game That Suits to a Tee

By John Costello

**W**HEN FORMER President Gerald Ford teed off last January in the Crosby Pro-Am golf tourney at Pebble Beach, he was given a handicap of 16.

That means if he shot an 88, his score was the equivalent of par on the 18-hole championship course. For a professional golfer with no handicap, par on the scenic, seaside California links is 72.

But Jerry Ford gets no 16 handicap at home.

"If they want to let him have a 16, that's their business," his brother, Richard A. Ford, told NATION'S BUSINESS with a laugh. "When my brothers and I play against him, he doesn't get a 16 from us. He gets about a 13.

"We tell him: 'That may be your traveling handicap, but not when you play with us.'"

Moral: To the dyed-in-the-wool golfer, blood may be thicker than water, but not from the first to the 18th tees.

**N**O OTHER sport enjoys a more magnificent setting than golf.

Not even horse racing, the sport of kings, with its elegant clubhouses and emerald infields. Nor skiing, with its austere, glittering snowfields amid majestic, miles-high mountain peaks.

For every handsome track, like Saratoga, golf has scores of lush, gem-like courses from Hawaii to Hilton Head Island. For every cloud-girt skiing challenge, like Utah's awesome Snowbird, golf has the dreamlike vistas of Mauna Kea, Oakmont, Seminole, Winged Foot, or Palmetto Dunes.

But sightseers, golfers are not.

On the links, the golfer's whole horizon is bounded by a white, dimpled sphere, 1.68 inches in diameter, weighing 1.62 ounces at most.

To clobber this tiny target, the player must give it his undivided attention.

"Once you've mastered the mechanics of the game," says Raymond E. Reilly, vice president of the Allen Corp. of America, Alexandria, Va., "the thing that gives you consistency is concentration."

**T**HAT'S PART of the game's fascination.

What she likes most about golf, says

Jean Carry, a certified public accountant, is the oblivion to which it consigns all other earthly concerns.

"Maybe you have lots of other problems," says Mrs. Carry, who has broken 80 on her home course, Kenwood Golf and Country Club, in a Maryland suburb of Washington, D. C. She is women's champion there.

"But you have to forget those problems," she says. "Otherwise, your game's a mess.

"You have to go out there and concentrate on that rotten little ball."

**G**OLFERS JOKE about this single-mindedness that the game induces.

"When you play," one says, "your mind has to put on blinders."

Gordon Ruffing, sales manager at Bearer Manufacturing Co., New York, tells a golfing classic that illustrates the point:

"A guy hooked out of bounds a ball that smashed the windshield of an auto that was passing by. The driver grabbed the ball, hopped out of the car, ran over to the tee, and confronted the culprit.

"Did you hit this ball?" the motorist demanded.

"Yes, I did," the golfer confessed.

"Well," the motorist snarled, "what are you going to do about it?"

"Oh," the golfer replied, thinking about correcting his hook, "I guess I'll have to move my right hand a little bit over to the left."

**I**N U. S. GOLF ASSOCIATION tests, a golf ball may travel up to 280 yards, with carry and roll and no tail wind. It may travel as fast as 255 feet per second. That's 170 miles an hour.

If a ball goes farther or flies faster, the U. S. G. A. won't okay it.

The U. S. G. A. has a mechanical man, Iron Byron, to hit golf balls at its test range in Far Hills, N. J. He has the zing to make the ball go with gusto.

When old Iron Byron connects, the head of the club is traveling at a speed of 109 miles an hour.

"It's possible for a golfer to hit the ball that hard," says Frank W. Thomas, U. S. G. A. technical director.

But in real life, it's rarely done, he concedes.

Unless, of course, you belt the ball like a Jack Nicklaus or Tom Watson.

**R**ICHARD FORD, who is president of Ford Paint and Varnish Co., Grand Rapids, Mich., is an avid golfer. So are Mrs. Carry and Messrs. Reilly and Ruffing.

They have lots of company.

"America has more than 16 million golfers," says Harry C. Eckhoff, information director of the National Golf Foundation. That number includes some four million weekend hackers and other occasional players.

"They have 11,745 courses to play on, double the number of 20 years ago," Mr. Eckhoff says. "Of those, some 10,000 are full-length, regulation courses. About half of them are private courses."

California has more courses, 798, than any other state. New York, second fiddle, has 732. Florida, with 653, is third.

But among regions, the eastern north central states—Ohio, Indiana, Illinois, Michigan, and Wisconsin—have more courses, 2,531, than any other.

Despite its thousands of courses, the U. S. is not the nation most richly endowed per capita with bunkers, sand traps, greens, and fairways. Ireland is, with its more than 200 courses.

**A**BOUT 12 percent of the courses that opened in 1977 were shorter, par three courses, Mr. Eckhoff says, and so-called executive courses. They're a little longer and have some par four holes.

The reason: rising construction costs, land costs, taxes, maintenance.

"Ten years ago," the National Golf Foundation says, "a lot of fine golf courses were built for \$10,000 a hole." Today the cost could well be more than \$25,000.

Grooming greens and fairways is costlier, too.

"In 1958, annual maintenance averaged \$3,330 per hole," says Harris, Kerr, Forster & Co., an international accounting firm. "By 1977, the cost hit \$9,335."

Dues have gone up also, the firm says

in its annual statistical review, "Clubs in Town and Country." Today a regular member's dues average \$1,135, almost triple the tab of two decades ago.

In some cases, dues can be partly a business expense. But Jimmy Carter wants to put a stop to this, as well as to cut the tax deductibility of the abominable "three-martini lunch."

**T**HUS, golf tends to be an upper-income pursuit.

Close to 50 percent of golfers, says the Commerce Department's "Social Indicators 1976," report incomes of \$15,000 or more.

A NATION'S BUSINESS survey is more indicative. One third of the magazine's readers belong to country clubs or golf clubs. Average income of all readers is \$43,852.

Based on past performance, U. S. golfers will buy \$400 million worth of clubs this year.

Pro shops, sporting goods stores, and other retailers will sell about one million sets of clubs: Four woods, nine irons, and a putter.

The average suggested retail price for a full set of top-of-the-line clubs of major manufacturers will run about \$560, an industry source estimates.

These clubs are sold primarily through pro shops. The average retail price for a full set of these manufactur-

ers' bottom-of-the-line clubs, sold through sporting goods stores, will run about \$225, he adds.

**E**ITHER more Americans are playing golf—and the statistics don't support that thesis—or they are losing more golf balls. The statistics suggest the latter.

In the 1960's, the U. S. golfing population increased rapidly.

Some attribute this to a popular, golfing President, Ike Eisenhower; public adulation for a charismatic golfing star, Arnie Palmer; and a big splash for golf on TV.

"Ike and Arnie took golf out of the sports section," an industry source says, "and put it on page one."

Since the 1960's, he adds, the growth rate of the golfing population has leveled off. But not the sale of golf balls.

In 1972, golfers bought about 11 million dozen golf balls. In 1976, they bought a little more than 13 million dozen.

**I**N THE U. S., golf and the Father of Our Country share the same birth date.

On Feb. 22, 1888, John Reid and John B. Upham played a three-hole course laid out in Mr. Reid's modest cow pasture in Yonkers, N. Y. The two businessmen hacked around with clubs

Mr. Reid had obtained from his native Scotland. Mr. Reid, an executive with J. L. Mott Iron Works, is called the father of American golf. St. Andrews Golf Club, the nation's first permanent one, was founded a few months later at a dinner at the Reid home.

Three years later, William K. Vanderbilt and some wealthy Long Island pals had a 4,000 acre, 12-hole course built for them at Shinnecock Hills. It was the first U. S. golf course that resembled a bona fide one.

Five years later and 900 miles farther west, the Chicago Golf Club, go-getters one-upping the eastern crowd, built the nation's first full-length, 18-hole course.

**T**HE GAME caught on quickly. Till 1913, however, the man in the street looked down on it as a sport for the upper crust. That year, a young ex-caddie, brought up on the wrong side of the tracks, won the U. S. Open.

To do so, Francis Ouimet beat the world's best golfers, including two British hotshots. His victory made golf a game for Everyman. In a sense, Francis Ouimet won golf its U. S. naturalization papers.

**W**HAT'S so addictive about the sport? Ambience, a lot of exercise, or, as some say, good for business?

## HOW TO PLAY BETTER GOLF

You can improve your game by using your head as well as your clubs.

That's the advice offered by "Golf Guide," a handy, 96-page pocket guide with valuable tips from pros on playing strategies.

Play every shot as if it were the most important, the booklet says.

"You've probably noticed many times," it says, "how a single miscue ruined a good score or cost you a match. In many ways, golf is a game of avoiding mistakes. A few moments spent thinking while walking to your ball or awaiting your turn can pay off in strokes shaved off your score."

"Golf Guide" is a Snibbe publication edited by Joseph Gambatese (\$1,7119 Exfair Road, Bethesda, Md. 20014). Mr. Gambatese is a savvy, nationally known golf writer who has competed in three U. S. G. A. championship tournaments. His booklet's technical advisory panel includes such golf greats as Julius Boros, Jimmy

Demaret, Gene Sarazen, and Sam Snead.

Here are some other basic strategies that "Golf Guide" suggests:

"On the drive—Look first for any trouble ahead you want to avoid. Then look for the best position to place your tee shot in relation to possible trouble and best approach to the green. Consider the terrain and the best way to take advantage of slopes and avoid hazards.

"On par threes—If you have difficulty playing out of sand and the green is heavily trapped, concentrate on avoiding the sand rather than getting close to the pin. Play to the safer side of the green if you can reach it easily.

"If the shot requires a long iron or wood, consider playing short or to some other safe area, then pitching or chipping to the hole for a possible par or easy bogey.

"On the fairway—Again, study the

shot from all angles. Should you go for the green or play safe? Where's the trouble? Any hazards to carry? Will the ball kick to left or right? Will the green hold the shot? Is it uphill or into the wind, requiring a longer club than usual for the distance?

"Is your lie tight, downhill, sidehill?

"On short approach shots—Always plan to have the ball land on the green, if possible. Bounce and roll will be more reliable. On longer approaches, pitch to the pin if the greens are holding. On shorter shots, try to use as much green as possible.

"Chip to the edge with a club whose loft will give your ball the proper arc to permit it to run the distance to the green.

"From sand near green—Don't reach automatically for your wedge. From a shallow trap, you might do better by chipping or, if the lip is smooth and your lie good, using your putter—the 'Texas wedge.'"

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## LOOKING FOR LINKS?

If you have the habit and can't break it, where's a good place to play golf?

Every two years, "Golf Digest" picks the 100 best courses in the United States. They are grouped alphabetically, in units of ten.

Here, listed alphabetically and not in order of excellence, are the top ten golf courses in the nation, according to the magazine:

Augusta National Golf Club, Augusta, Ga.

Merion Golf Club (East), Ardmore, Pa.

Oakmont Country Club, Oakmont, Pa.

Olympic Club (Lake), San Francisco, Calif.

Pebble Beach Golf Links, Pebble Beach, Calif.



PHOTO: UNWIND

Pine Valley Golf Course, Clementon, N. J.

Pinehurst Country Club, Pinehurst, N. C.

Seminole Golf Club, North Palm Beach, Fla.

Southern Hills Country Club, Tulsa, Okla.

Winged Foot Golf Club (West), Mamaroneck, N. Y.

Most are private courses, although the opportunity to play on them may be arranged through friends who are members.

For a more complete guide to where to slice and hook, there's the "Gene Sarazen's World Golf Directory" (\$7.50, Dept. JG, World Sports Publishers, Inc., 1721 DeSales St. N. W., Washington, D. C. 20036). It lists 1,600 golf courses in the United States and abroad, with, in many cases, course layouts, fees, score cards, par, and description. All are clubs that are available to businessmen who are traveling out of town.

None of these behind the barbed wire of a prisoner-of-war camp. Yet golf fever can be epidemic there.

Twenty-one-year-old 2nd Lt. Robert A. Laubach learned to love the game behind barbed wire.

His B-17 was shot down just east of the Zuider Zee on March 8, 1944.

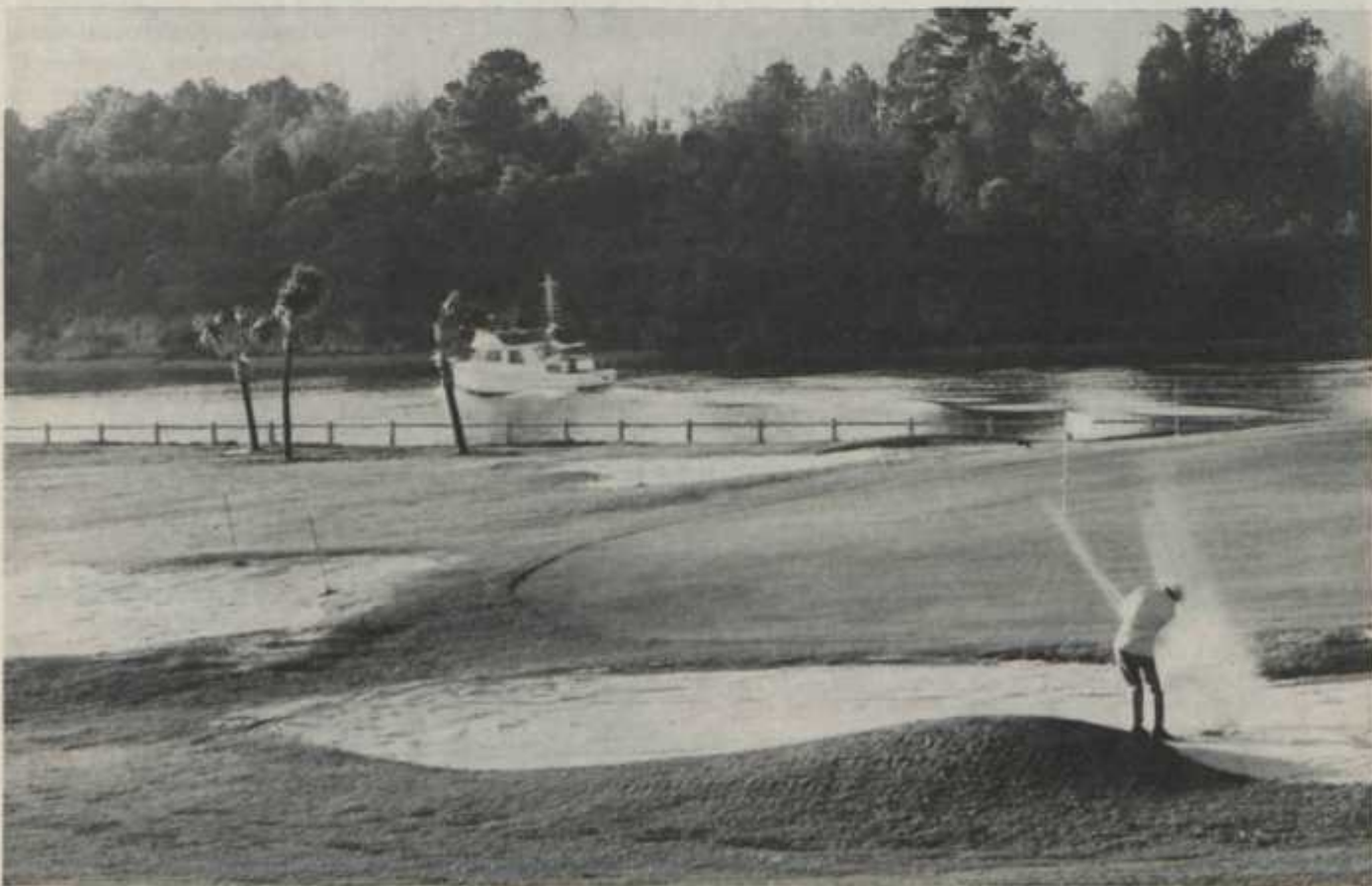
"A day I will never forget," he says.

Captured, he was sent to Stalag Luft III, a German P. O. W. camp for Allied airmen. The Red Cross sent the prisoners recreation equipment, including golf clubs and balls.

"Some of the fliers were red-hot golfers," he says. "But the area was too

small for driving a regular ball. So they made some out of softball covers stuffed, I think, with rags. For cups, they took powdered-milk cans and sank them into the ground about 150 feet apart at each end of our barracks.

"That was the course—no greens, no fairways, not even grass. Just dirt."



The Intercoastal Waterway, which runs from Maine to Florida, is the backdrop for the 11th hole at Myrtlewood Golf Club, one of 29 courses in the area around Myrtle Beach, S. C., known as the Grand Strand.

He adds: "And that's where I got hooked on golf. At Stalag Luft III."

Now vice president of Charles and Laubach Insurance, Inc., in Phoenix, he shoots in the high 70's and low 80's at the Arizona Country Club, where he plays religiously at least twice a week.

What did hook him?

"I find golf," he says, "as relaxing a thing as I know how to do."

As important, apparently, to a prisoner of war, who went from a normal 184 pounds to 118, as it is to a successful insurance executive.

**J**OHAN C. REYNOLDS, executive vice president of U. S. Telephone and Telegraph Corp., a subsidiary of ITT, in New York, was 34 before he ever swung a wood or topped a ball.

"I was born and raised in Brooklyn," he explains, "and we didn't have any golf courses there."

In 1967, however, ITT sent him to Puerto Rico.

"It's silly to be in sunny Puerto Rico," he says, "and not play golf or tennis. I thought golf was more of a challenge."

The late starter was a quick learner.

He and partner Curt Buford, president of Trailer Train Co., of Chicago, were the defending champions in the executive division of this year's American Airlines Golf Classic tournament in Scottsdale, Ariz.

Last year's trophy occupies a place of honor in his office on the 19th floor of the ITT Building in Manhattan—on a credenza it shares with photos of his wife and five children.

What he enjoys most about the game is time it gives him with his wife.

"We can go out together," he says, "and spend four hours without interruption."

**M**R. REYNOLDS is a walker, not a golf-cart rider.

"I play better golf if I walk," he says. "It gives you time to think about the shot you just hit and the one you'll hit next."

Hoofing it over 18 holes is more exercise than some think.

The President's Council on Physical Fitness and Sports cites data worked up by Dr. Kenneth H. Cooper, author of "The New Aerobics." His studies show that 18 holes of golf, for walkers, is about equal to two hours on the tennis court, playing doubles.

**W**INTER'S ice and snow pose problems for golfers outside the sunbelt. Devotees of the sport often work

## IT'S LIKE BUSINESS

Golf is like business, says one executive who is fond of the game—and good at it.

"In business, you can't look back. You always have to be forward-looking and dealing with onrushing events."

"Golf is a little like that."

"You miss a two-foot putt, you forget about it. You go on."

"And if you hit a ball in the rough on your drive, there's a club in the bag to get it out of the rough, and what you have to do is play the hole."

Nor does the resemblance stop there, says William K. Eastham, president of Johnson Wax, Racine, Wis., and chairman of the Chamber of Commerce of the United States.

"There are all kinds of tools that are available to us as businessmen. And there are so many tools that you have in a golf bag—to get yourself out of a sand trap, or when you have to hit a draw or a fade, when you're going to chip, when you're going to pitch."

"There are all kinds of decisions, good, average, and bad, that are being made."

That, Mr. Eastham says, is one of the reasons why he likes the game he started playing in earnest only when he was in his thirties.

When he started, he had a 16 handicap. Now the 60-year-old executive's handicap ranges between four and eight.

On his par 72 home course, the Racine Country Club, he has shot a 69 more than once.

Like the business world he lives in, the sport offers challenge.

"Golf is a very interesting, complex game," Mr. Eastham says, "because there are so many variables that have to be put together properly to have at least a good shot."

The game also offers competition.

"You compete against yourself, your own norm; you're competing against the golf course itself, with its par; and you're competing in a friendly way against opponents."

He sums up: "So I get a kick out of golf."

"And I like business. I really like business."

hard at outwitting the elements. Some save balmy southern business trips for the frigid part of the calendar.

Sales manager Ruffing does.

"Let's put it this way," he suggests delicately. "I don't call on my Buffalo accounts in December."

Many golfers take southern winter vacations.

"Down here," says Bob Truex, pro at Myrtlewood Golf Club in Myrtle Beach, S. C., "Feb. 15 is like St. Joseph's Day in Capistrano."

That's the day swallows traditionally return to the little California town. Golfers, instead, head for the Myrtle Beach area's Grand Strand—60 miles of seashore and golf links, an East Coast mecca for golfers.

**O**NE REGULAR pilgrim is W. S. "Dub" Wainscott, a Lexington, Ky., businessman. He is secretary and treasurer of Hodges and Wainscott, local home builders.

Till late November, he golfs at Spring Lake Country Club in Lexington—"two or three times a week, and then Saturday and Sunday."

He, his wife, and son Jay, 14, vacation in winter as often as they can.

They've been going to Myrtlewood, he says, for years.

They always take their golf clubs. "I wouldn't be caught out," Dub jests, "without my sticks."

**S**OME RUGGED golfers shun such stratagems as heading south to avoid frostbite.

They play in snow.

"All us nuts out here in Michigan do," says Richard Ford with a laugh.

"We have what we call a Turkey Open every Thanksgiving Day at our club. We've played on days when the course was covered with snow."

"We clear off the greens. If the ball lands in snow on the fairways, you get to move it to the nearest area where you can get down to bare ground."

The U. S. G. A. has approved an orange, luminous ball which it says is easier to find in leaves or snow. Dick Ford doesn't use one.

"It's easy to find a white ball if it goes into a snowdrift," he says.

At the point of entry, he explains, the ball leaves a telltale hole. Like a prairie dog does when, heading for safety, it makes a quick dive downstairs. □



# How Good People-Handlers Motivate Others

By Bernard L. Rosenbaum

Five psychological principles can help you get better performances from those you deal with in business

**A** SUPPLIER HAS DELIVERED some wrong merchandise for the second time. The customer telephones the factory. "Who's running things there?" he asks. "The Marx Brothers?"

The customer, a busy executive, has successfully gotten across the fact that he is angry. Blowing off steam has also relieved some of his tension. But he has failed utterly at motivating his supplier to do better the third time. He has failed because he does not understand basic principles of motivation that successful people-handlers use.

Industrial psychologists have identified at least five important principles of motivation. Many successful managers employ them instinctively. Others may agree with them in theory, but ignore them in practice. Still others, like the angry executive confronting his supplier, handle people in ways that accomplish the opposite of what is desired.

Mastering these five principles can help you be a more effective people-handler—with suppliers, upper management, employees, customers, community leaders, government regulators, even the people in your personal life. The principles:



## Build people's self-esteem.

The more confident people feel, the better they perform. This has been shown repeatedly. If the angry executive understood this, he would have tried to maintain the self-esteem of the factory personnel and given them confidence that they could satisfy him. Instead, his harshness made them feel defensive. They think his demands were unreasonable and could not be met no matter how hard they tried.

His mistake was focusing on the two or three items in the order that were shipped in error. He should have focused on the 18 or 20 that were exactly as specified and then gone on to complain about the others.

The principle can be applied widely: One of your field people is late with a report you need for a meeting. Begin by commending the thoroughness of his reports. Or a security officer has overstepped his authority. Recognize his diligence, then define the limits of his role.

Most people tend to fulfill the roles others assign to them. If you expect the best from someone and show him you expect it, you have a better chance of getting it than you would otherwise.

This principle is tested regularly and often yields dramatic results: A new supervisor is given a list of five employees and told they have been especially productive. The five turn out to be his star performers. In truth, the five have been picked at random. They succeed because they are expected to and are treated accordingly.



## Focus on the problem, not personality.

An employee is repeatedly absent. You might be tempted to say, "You used to be interested in this job. Now you don't seem to care anymore." But you will be more effective if you focus on the problem rather than your assessment of the employee's personality or attitude. Tell him he has been out four times this month.

If you focus on the problem, you and the other party will discuss the problem. If you unfavorably judge his attitude or personality, he will become defensive and the discussion will quickly deteriorate. Also, attitude and personality statements tend to be vague and often are misinterpreted.

A vice president for sales is conducting a performance appraisal with one of his regional sales managers. The vice president tells the regional manager to be more aggressive. The regional manager promptly hires two additional district managers. In fact, the vice president meant that the regional manager's sales goals were eight percent lower than they should have been. "Raise your sales goals by eight percent" would have been a far better choice of words than "be more aggressive." Talk only about the problem or performance, not attitude or personality.



## Use reinforcement to shape behavior.

The technique of reinforcement encourages desirable behavior and discourages undesirable behavior. It does this by conditioning the other party to expect a positive response to his desirable acts and a negative response or no response at all to his undesirable acts.

As a simple example: A salesman increases sales continually. He gets a raise, and he works even harder because he wants to elicit management's favorable response (giving him a raise) again. Or a more subtle example: A division manager whose spending is constantly checked by senior management is able by year's end to stay within budget. Management then gives him a freer hand with spending. It has encouraged desired action with a positive response—this time by removing an unfavorable condition.

The most common form of reinforcement that is practiced is responding negatively to undesirable action—punishing the other party. Unfortunately, the other party may become defensive, irrational, hostile, prone to resume the behavior as soon as punishment stops. He may avoid his punisher. He may permanently adopt the desired behavior and use it when it should not be used.

Rather than routinely using punishment, ask yourself if the other party will be adversely affected by a lack of reaction on your part. This will almost always happen if the other's action is intended to evoke a response from you. In such cases, taking no action may be the best response. For example, you might fail to return a phone call or not acknowledge a request.

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The technique of reinforcement is a powerful motivator, and it is used with consummate skill by the great people-handlers in business, government, and other fields. Unfortunately, many managers pay too little attention to systematically responding in a way that will properly shape the behavior of others. Often they unthinkingly respond in a way that motivates others to do precisely what they do not want.

A committee chairman drones on endlessly, wasting valuable time. The committee members are annoyed but, following tradition, each congratulates him when the meeting ends. The committee has followed an undesirable act with a positive response, encouraging the chairman to drone on next time.

A young employee comes in late. He explains that he has had to dig his car out of the snow. He smiles eagerly, anticipating commendation. His supervisor shakes his head in frustration at the lateness. The supervisor has followed desirable behavior with a negative response. Next snowstorm, the employee will stay home.

Even a no-response would have been wrong in that situation. Indeed, failure to commend good performance is management's most common mistake in motivation. Almost without exception, good performance that is unnoticed deteriorates.

Here are some tips to help you motivate with reinforcement:

- Respond to both small and large units of behavior. Begin with the first sign of desirable or undesirable behavior rather than wait for behavior to be repeated or become pronounced.
- Apply more reinforcement at the outset because it is harder to start behavior change than keep it going.
- Respond immediately following the other person's act. If you wait, your response may be confusing.
- Make certain that your positive and negative responses are seen as such by the recipient. No reward or punishment is suitable for everyone.

Like any technique of motivation, reinforcement can be overdone. When it comes to the supervising of people, however, rarely is there too much positive reinforcement. Managers who encounter undesirable behavior should ask themselves when the desired behavior was last reinforced.

In almost any supervisory setting, it is most effective to reinforce every improvement in performance until the desired performance level is achieved, and then to gradually, but not abruptly, reduce the frequency of reinforcement.



## Actively listen.

The plant manager slams his palm down on the conference table. "You give me impossible schedules, and you won't pay overtime," he says. "I'm supposed to be a magician. You don't give a damn."

The vice president for manufacturing nods sympathetically. "You feel we're asking too much," he says. "You're angry because we don't seem to recognize your problems or care about them."

The vice president is practicing active listening. He is feeding back the information he has been given and the

feelings expressed. Active listening assures the other party that you understand him and is a necessary part of any exchange if you hope to motivate. It is especially valuable in emotional exchanges.

Remember to convey both the content and the feelings the other person has expressed. Do not include your own opinion at this point, though.

"This is the third price increase in two years," a jobber executive tells a manufacturer. "Our salesmen won't even show your merchandise. They'll promote items from the other divisions. My division will never match last year's sales."

The manufacturer replies, "You think our pricing isn't realistic, so your salesmen won't even try to sell our line. You're discouraged because you're afraid this might hurt your division's sales."

Satisfied that he is being heard, the jobber executive is open to the manufacturer's explanation about the price increase.



## Set solid goals, keep communicating.

The meeting is over, but the process of motivation has only begun. Before you leave, make certain that you have agreement. Set specific and clearly understood goals. Do not say, "Let's get together again in a couple of weeks."

Instead, set a date for review. Keep in touch, and keep reviewing the problem.

The goal you set should be somewhat difficult, but achievable. A too-easy or too-difficult goal demotivates. People with a history of failure are particularly prone to set unachievable goals.

Since people live up to their self-perceptions, your most important contribution will be building the other person's confidence so that he can meet the goal. Remember, nothing succeeds like success, and nothing fails like failure.

**M**ANY MAJOR corporations—Exxon, Westinghouse, Union Carbide, Federated Department Stores—are teaching managers to effectively use these five motivational principles through a process known as behavior modeling. Specially constructed videotapes show the company's managers successfully motivating others in a variety of situations. Participants view the models, identify with the situations since they are representative of their own company, rehearse the modeled behavior under the coaching of a trainer (usually a line manager), and transfer the skills back to the job.

Such training has met with outstanding success in teaching these key principles of motivation, principles which can help you motivate, too. ☐

DR. ROSENBAUM is president of the Management of Human Resources Division of the Personnel Sciences Center in New York City.



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## The World of Industry

*continued from page 12D*

reserves and production, the U. S. has to drill more and more wells, assuming discoveries of unexpected magnitude or productivity do not occur."

They add: "However, in the next decade it is unrealistic to expect U. S. drilling activity to accelerate fast enough to reverse the downward trend in exploratory drilling productivity."

The Petroleum Information Corp., in Denver, reports that 18,821 producing oil wells were completed in the U. S. last year, a 15 percent increase over 1976. •

## Home Remodeling Spurs Lumber Products Sales

Home remodeling, commercial and industrial construction, and increased demand for mobile homes will spur the growth of the forest products industry this year.

The residential new-construction market dominates lumber and plywood sales. However, Harry A. Merlo, chairman and president of Louisiana-Pacific Corp., Portland, Oregon, says:

"With the increasing turnover rate in housing, the amount spent on remodeling and repairs of existing homes is expected to increase. According to the Census Bureau, remodeling expenditures for residential structures will increase ten percent in 1978 to \$34.6 billion."

He also notes that commercial and industrial construction, which represents approximately one quarter of total construction spending, is expected to rise a healthy 15 percent, according to estimates by the Commerce Department.

Improving sales of quality mobile homes, which provide 96 percent of all residences under \$20,000, will result in increased sales of plywood, particle board, and panel board used in home interiors, Mr. Merlo adds. •

## Plastic Model Kits Boost Hobby Sales

Hobby equipment will top \$1 billion in retail sales by 1980, according to Bernard Paul, president of General Hobbies Corp., of Philadelphia.

"The development of home hobby kits has given the hobby industry a big boost," he says. "Interest in model trains continues to exhibit a steady

growth and is expected to be exceptionally active during the first part of 1978. This is contrary to the sales trend of toys, which sell biggest prior to Christmas."

Mr. Paul says leaders in hobby equipment sales last year were plastic model kits, \$120 million; crafts, such as leather and painting kits, \$110 million; stamp collecting, \$94 million; model railroading, \$56 million; and model airplanes, \$35 million.

"Illustrative of the move toward hobbies such as model trains has been the growth of hobby departments in the large chain outlets," Mr. Paul says. "While this has placed a strain on the ability of independent hobby shops to compete favorably, the hobby shops continue to flourish because hobbyists can shop at leisure and can obtain advice from proprietors who are frequently hobbyists themselves."

## Record Sales Continue for General Aviation

Americans are buying more aircraft for business and personal transportation than ever before.

The General Aviation Manufacturers Association, a trade group representing manufacturers of general aviation aircraft and equipment, says that such manufacturers' sales last year posted a new record for the sixth consecutive year.

GAMA says the industry last year delivered 16,900 planes—mostly single-engine aircraft, with a value of \$1.5 billion. Harry B. Combs, president of Gates Learjet and GAMA board chairman, predicts 1978 deliveries will reach 18,000 planes with a value of \$1.7 billion.

Mr. Combs says more than half of the nation's 1,000 largest industrial firms operate their own aircraft, a fleet numbering almost 1,700 planes or an average of more than three per company. He points out that general aviation craft operate from all of the nation's 13,700 airports while airlines serve only 400.

Since airlines have reduced service to many smaller communities for economic reasons, general aviation is playing a rapidly expanding role in intercity transportation, he says.

Mr. Combs adds that more than 21 percent of 1977 production—valued at \$354 million—was shipped to buyers overseas. He predicts that the export market will grow to \$400 million this year. □



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transportation center. It is home to more long line, interstate motor carriers and more miles of state-maintained roads than any other state in the country. It has 4,250 miles of track and modern, solvent railroads. It has two deep-water, ocean-access ports and 12 commercial airports. It is also conveniently within 500 miles of over half the nation's population.

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North Carolina also has a number of excellent available plant facilities ready for you to move in right now. As well as the lowest construction costs in the country, if you'd prefer to build your own.

So next time you bring your sticks here for a round of golf, you might also bring your briefcase for a round of talks.

## NORTH CAROLINA

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# The Protectionist Threat to Economic Growth

By Donald S. Kemp



Dr. Kemp heads an international economic research unit for Harris Trust and Savings Bank, of Chicago.

**P**OLICY MAKERS in many countries are coming under increasing pressure from an alliance of business and labor to use trade policy to insulate their domestic industries from competition. These protectionist pressures are so real that many observers believe the tariff reduction talks currently being held in Geneva, Switzerland, are bound to be almost fruitless.

Unfortunately, current economic conditions of slow growth, high unemployment, and balance-of-trade deficits make circumstances rife for the spread of protectionist views. Such views, however, are normally the result of an incomplete analysis of the causes and effects of balance-of-trade deficits and of confusion between the gains from trade and the balance of trade.

Substantial evidence exists that persistent balance-of-trade deficits are the result of excessive domestic monetary expansion and that tariffs have a neutral impact on the balance of trade in the long run. That is, deficits are caused by excessive domestic demand that cannot be fulfilled through increased domestic production.

Accordingly, balance-of-trade deficits are viewed as a release valve, so to speak. Excessive domestic demand is satisfied via an increase in imports

and accompanying balance-of-trade deficits. The deficits are a natural part of the automatic adjustment of supply and demand forces, not something that must be avoided at all costs.

## Tariffs affect prices

The gains from trade, on the other hand, are a completely different phenomenon and depend on the total volume of trade rather than the balance of trade.

Anything that increases the volume of free market trade increases society's standard of living. In other words, it is to the advantage of both the United States and foreign countries for each to specialize in the production of those items which it can produce most cheaply.

However, such international specialization of production is possible only if the countries are able to trade freely with each other.

Tariffs are objectionable because they inhibit the realization of the economies of scale that come with international specialization in production and trade. In this regard, it should be noted that, under fixed or floating exchange rates, tariffs result in higher prices, lower output, and a redistribution of wealth from consumers and ex-

porters to the producers of import substitutes.

Under either exchange rate situation, the immediate impact of tariffs is to raise the price of both imported goods and their domestically produced substitutes. The consumer will be directly affected if the goods in question are finished products ready for consumption. The producers of finished products will be affected as well if the goods in question are materials used in the production process. In addition, the artificially increased prices of import substitutes attract productive resources into those sectors, resulting in a less efficient use of domestic resources and a reduction in overall output.

## Tit-for-tat reaction

Another undesirable aspect of tariffs is the likelihood that they will bring retaliatory actions on the part of other nations. Under a fixed exchange rate system, others will surely feel encouraged to protect their balances of trade by imposing restrictions on U.S. exports. Under floating exchange rates, the retaliation is automatic. A decline in U.S. imports results in an appreciating dollar, and this will automatically decrease the demand for our

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exports. Any gains to producers of import substitutes are paid for by both consumers and producers of exports.

The imposition of an import tariff provides only temporary relief to the industry that produces substitutes for the affected import.

Such a tariff is needed in the first place because of the industry's inability to manufacture its product at a price competitive with those of foreign producers. Subsidizing an inefficient industry will seldom make it more efficient.

The tariff not only fails to give the protected industry a permanent boost, but it complicates the industry's future with the constant threat that its protection will be revoked or circumvented. It does not assure the industry that it will continue to prosper and grow after the initial impact of the tariff is absorbed. However, one thing is for sure: The protected jobs and profits in this one industry will be paid for by everyone else in terms of higher prices and by decreased jobs and profits in other industries.

Any consideration of the employment implications of tariffs must also recognize that balance-of-trade data may really be a very poor gauge of the overall impact that international transactions have on domestic economic activity. The data measures only the net magnitude of domestic demand for foreign-produced goods and completely ignores the impact of foreign investment decisions on U. S. economic activity.

## Effect on unemployment

An interesting implication of the foregoing considerations is that changes in the trade balance need not have any impact on the unemployment rate. A review of statistics on unemployment and the trade balance for the years 1950 through 1976 indicates that, on average, high or rising unemployment is associated with a high trade balance and vice versa.

This is perfectly consistent with the economic theory that goods are exported when domestic demand is slack (and unemployment is high or rising) and imported when the productive capacity of the domestic economy is strained (and unemployment is low or falling). In other words, international markets serve as a buffer against the effects of variations in domestic supply and demand.

The widespread participation in the multilateral trade negotiations in Geneva provides a unique opportunity to

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work toward the dismantling of trade barriers. However, while the leaders of the industrial nations decry the evils of import tariffs, there appears to be a scramble developing to erect so-called nontariff trade barriers.

In the past, the most common of these barriers have taken the form of quality standards and administrative practices. Nontariff barriers also come in other forms, however, and their use is frequently justified by nations as an acceptable alternative to tariffs. Yet they differ little from import tariffs in their impact on trade, inflation, and economic growth.

#### Nontariff barriers

Of the nontariff import barriers being discussed today, the most common fall under the heading of "price stabilizing agreements" or "orderly marketing agreements." As an example of the latter, the Carter administration has negotiated "voluntary agreements" under which U.S. imports of shoes and television sets will be restricted. Thus, while the administration has wisely rejected the U.S. International Trade Commission's earlier recommendation for increased tariffs on these items, it is attempting to accomplish the same end via imposition of nontariff restrictions.

**"Anything that increases the volume of free market trade increases society's standard of living."**

For a grim reminder of the impact of protectionism, consider what happened in the wake of the Fordney-McCumber (1922) and Hawley-Smoot (1930) acts. Many believe these trade and capital flow restrictions were instrumental in prolonging the Depression of the 1930's.

Because today's international economy has a much more integrated structure, a wave of protectionist legislation would surely have a greater impact on economic growth.

Protectionist sentiment is alarmingly strong among individual special interest groups who are working hard to promote their particular causes. The need for a strong counteroffensive should not be underestimated. ☐

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# How To Wake Up The Financial Genius Inside You

**A MUTUAL CONCERN.** We've never met and probably never will, but I think we share a common interest. That interest is in achieving financial freedom.

Recently my net worth reached the *magic million dollar mark*, and it only took me 48 months to achieve that.

That might not impress you, but if you had seen me just a few years ago, you might wonder how I did it. I lived in Denver then, in a cramped, tumbled down house at 2545 South High Street. My wife was expecting our second child and we were so broke we had to borrow \$150.00 from a relative just to buy food and pay the rent.

By the way, I know I didn't make a million dollars because of my superior intellect — I barely got through Ames High School (Ames, Iowa) with a C average. I did a little better later on but I soon realized that a salaried job was not the way to become financially free. If you'll stop and think, you'll realize that millionaires do not work 10, 20, or 50 times harder or longer than you.

**FINANCIAL FREEDOM.** It seems that most people who are charging for financial advice have studied how to "do it" but have never actually "done it" themselves. You will find as you read my formulas, that since I have actually achieved total financial freedom myself, that you will receive from me more than just the motivation to make it possible to achieve your own financial independence, but a workable financial road map to actually do it.

**FINANCIAL ROAD MAP.** Contained in the work entitled *How To Wake Up The Financial Genius Inside You* are the various formulas which will show you exactly how you can do each of the following:

- buy income properties for as little as \$100 down.
- begin without any cash.
- put \$10,000 cash and more in your pocket each time you buy (without selling property.)
- compounds your assets at 100% yearly.
- legally avoid paying federal or state income taxes.
- buy bargains at one-half the market value.

**MORE LEISURE.** If you apply these formulas and methods you will find in a very short time, you will be able to do almost anything you care to do, and I think, at that time, you will find as I have, that spending several weeks on the beaches of Hawaii, or on the ski slopes of Colorado, or just sightseeing in Europe, or any other place in the world, you begin to understand what *real freedom* is all about.

Most people think that it would be impossible to do some of the things listed above. For example, to buy a property, and at the same time put \$10,000 (or more) cash in your pocket without selling the property, or to buy a property with little or no cash down.

Believe me, it is possible and fairly simple. This is exactly how most wealthy people ac-



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tually do make 10, 20, or 50 times more money than you do.

**YOUR MONEY'S WORTH.** While I was struggling on making my first million, I often thought how nice it would be to have the personal advice and counsel from someone like Howard Hughes or J. Paul Getty.

What would I have been willing to pay for this service? I can tell you one more thing for sure, it would have been a lot more than the \$10.00 that I'm going to ask you to invest in your financial future.

*"... more than 150,000 people have discovered that my formulas will provide the road map that can lead to total financial freedom . . ."*

**FOR YOUR FUTURE.** What will this \$10.00 actually do for you? It will give you a complete financial road map that if followed precisely, can greatly increase the likelihood of financial independence.

Please try to understand my dilemma. I'm not a New York advertising agency with all their professional skill and manpower to write a powerful and persuasive ad to convince you that I can make you financially independent. I am just somebody who has actually "done it", and can really show you how to "do it".

**TEST IT YOURSELF.** It's really quite frustrating to have something so valuable as I know I have, but lack the skill to convince people to try it for themselves. I hope by my simple direct approach I can convince you to try my formulas.

**INDECISION — THE COSTLY DECISION.** It seems the majority of the people in our rich country lose, not because they lack intelligence, or even willpower, but because of

procrastination, or lack of action — please don't be like the masses. Make a decision while you have this paper in your hands. Make a decision now to either act now and send for my material or immediately round file this paper. If your decision is to order, do it now, not later. Otherwise you may lose, just by default.

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If you send for my materials now, I will also send you documents that will show you precisely how you can borrow from \$20,000 to \$200,000 at 2% above the prime rate using just your signature as collateral.

**IT'S GUARANTEED.** If you are still somewhat skeptical, and believe me, when I started out I certainly was, because of the many people in the world trying to deceive others, I would encourage you to postdate your check by 30 days, and I promise and guarantee that it will not be deposited for at least those 30 days, and if for any reason you do not think that what I have sent you lives up, in every aspect to what I told you in this letter, send the material back, and I will quickly, without question, refund your money and send back your own uncashed check or money order.

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**Inquire at your local bookstore for Mark Haroldsen's "How to Wake Up the Financial Genius Inside You."**

# How Business Won a Major Washington Victory



National Chamber President Richard L. Lesh debates Esther Peterson, consumer adviser to Jimmy Carter, on NBC's "Today" show, moderated by Betty Furness (right).

PHOTO: DAVID HORN



Why create a new consumer agency? Jeffrey H. Joseph, of the National Chamber (left), and Ralph Nader argue the question before an audience of hundreds at Washington's Kennedy Center. Reporter Vera Glaser, of the Knight-Ridder newspapers, moderates.

**E**NOUGH really may be enough. Even proponents of legislation to create an Office of Consumer Representation admit that Congress's rejection of the measure reflects widespread feeling that there is too much government regulation already.

When the House last month voted down the bill, 227-189, it ended an eight-year effort to create a special agency within government for consumer advocacy.

The business community spearheaded opposition to creation of the agency on grounds it would add just another unneeded layer to the bureaucracy.

Consumer advocate Ralph Nader, with the strong support of organized labor's umbrella organization, the AFL-CIO, spearheaded efforts to create the agency.

Whether you are pleased or displeased with the House action, you can't realistically argue that the public did not have its say about the merits of the legislation.

The struggle over the legislation is a



## What do Pittsburgh, Cleveland, Buffalo, Miami and St. Louis have in common?

They're all towns in non-metro or rural Oklahoma, a section of the Sooner State that has attracted many of the top companies from throughout the nation.

Oklahoma has nearly 200 communities like these, ranging in population from 2,500 to 50,000, that can accommodate the needs of practically all manufacturers. And near each of them is at least one major metropolitan center such as Oklahoma City, Tulsa and Lawton. There's something else these rural communities have in common — major manufacturing facilities of such companies as Maremont, 3-M, Mercury Marine, Eaton, Goodrich, Wolverine Tube, Gardner-Denver, Ralston Purina, Eltra, Uniroyal and Colt Industries.

There's plenty of room for your company, too. Let us show you, in confidence, what we can have in common with you.



**The buckle  
on the  
sunbelt.**

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Mrs. Peterson and other advocates of the consumer agency check strategy outside the House chamber as members vote on the bill.



Thousands of letters poured into the National Chamber from business people who said they were opposed to creating another government agency.

classic example of how the process of government works in our democratic system.

At different times, four different names were proposed for the agency. The bill was passed twice by the Senate and three times by the House, but threats of vetoes by Presidents Nixon and Ford always prevented ultimate enactment.

Over the years, support for the bill weakened. In 1971, the House approved it, 344-44. In 1974, the House voted for it, 293-94. But in 1975, the bill passed the House by only 208-199.

The debate raged in many arenas. There were appearances on national television talk shows by representatives of business and by consumer activists. There were town-hall-type debates by proponents and opponents.

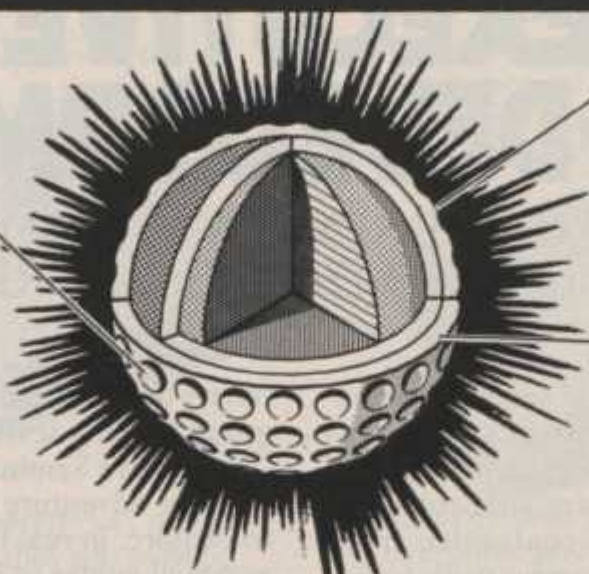
There were representations to members of Congress by White House officials, consumer-group, and business spokesmen—right up until last month's vote, which supporters concede was their final effort to gain passage.

Dr. Richard L. Leshner, president of the Chamber of Commerce of the United States, sees the defeat of the bill this way:

"The House majority clearly heard the voices of the American people, who are weary of too much government in their lives—too much protection, too much of what other people think is good for them. . . ."

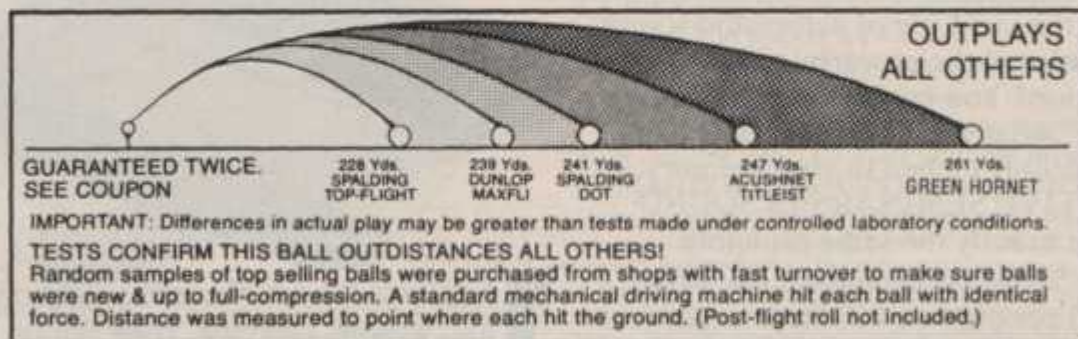
# Mention This Ball And Golf Hustlers Clam Up!

- Aerodynamically designed dimple pattern provides extra-ordinary spin and lift—ball bores through the air straight and true.



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It drives 20-30 yards longer. Putts like a billiard ball. Straightens out hooks & slices. Trims 3 to 5 strokes off your score! Guaranteed! To prove it we'll send 1 ball FREE. (Be convinced or don't pay!)



## WARNING: Illegal for USGA Tournament Play!

By regulation, no USGA approved ball can come off the clubhead at a velocity of more than 250 feet a sec. But The Green Hornet can, and does! So, they made it illegal in the U.S. Our ball comes off the clubhead faster! It travels farther with more roll and less bounce! On the green it putts like a dream and is so deadly in money play that one top tournament pro commented, "They'd have to make every course in America 2,000 yards longer if this ball was ever legalized." (You know who he is, but if we used his name in this ad he'd sue our pants off.)

## How it Works

Our golf ball is smaller in circumference, yet weighs the same as the American ball. This means it has greater density, and higher compression packed into a smaller area. So, it comes off the clubhead like a cannon shot, with a flatter, lower trajectory. It handles better in wind, goes straighter and 30 yards farther! What's more, it cuts down on hooks and slices because, its smaller size makes more contact with the clubhead's "sweet spot"! No wonder the same pro states point-blank, "any time you have the choice, it's silly to play the big ball."

## Like Putting into a Barrel!

Our ball drives at least one club longer. You will hit

one club less on short irons. On long par 5's, reach the green in 3 (or even 2 if you're already a long hitter). You'll birdie shorter par 4's. Even duffers will find themselves shanking fewer shots, because you can actually hit this ball off-center and it'll still go straight! On the green, it putts like a billiard ball, so you'll sink more short putts and leave long-putts closer to the

hole. Our golf ball starts off faster and runs truer, and you worry less about the way the putt will break! Furthermore, because the ball-to-cup ratio is changed dramatically in your eyes, you'll feel like you're putting into the mouth of an open barrel!

With all this going for you, if you don't cut at least 3 to 5 strokes off your score, you aren't really trying!

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I understand I may play these balls entirely at YOUR risk, I must be 100% delighted, or I may return them within 30 days for full refund of the entire purchase price. The free ball is mine to keep.

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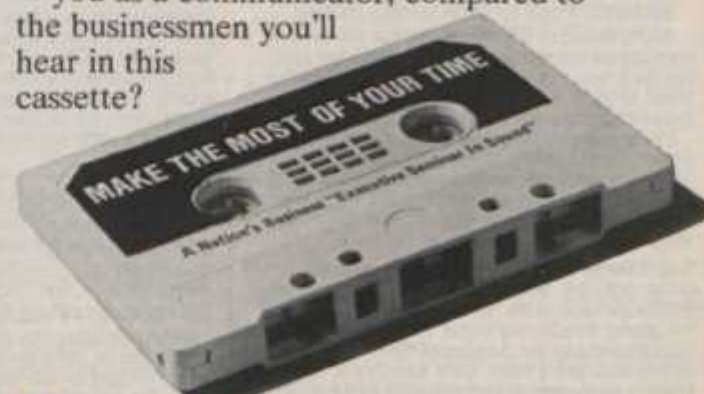
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PHOTO: LARRY JOY



John McLeod is a former basketball star who now competes in the business world as the chief executive of Scripto, Inc.

## Don't Write Off the Pen and Pencil

John T. McLeod once played basketball for a Canadian Olympic team. He was a starting forward in the 1956 games.

Today he is the fast-breaking president and chief executive officer of Atlanta-headquartered Scripto, Inc., a writing instrument manufacturer which he describes as having "one of the great names with high consumer recall."

Unfortunately, that recognition has not sparked high-scoring revenues. "The company grew to a reasonable size in the 1950's," reports Mr. McLeod, "but then the competition—ballpoints and porous tip pens—streaked past us. Scripto's revenue growth has not kept pace with the rest of the market; our revenues are about \$43 million a year now."

To get Scripto back into the game, Mr. McLeod is banking on a rejuvenated veteran product, the mechanical pencil, and a rookie, the roller pen.

"Despite the growth explosion of ballpoints and markers, people still like to use pencils—more than two billion a

year are sold," says Mr. McLeod. "It's less work to write with a pencil because you don't have to use as much pressure as with a ballpoint. And the new-type mechanical pencil is much more convenient and more satisfying to use than the venerable wood-case pencil."

Of course, mechanical pencils are not as chewable as wooden ones, Mr. McLeod concedes, but mechanicals won 26 percent of the pencil market in 1976 and about 30 percent in 1977. He adds:

"Our new pencil eliminates the fuss of filling. You put five or six leads in the top and push the button when you need more point."

To those who prefer the dramatic flourishes of ink, but who lose fountain pens like the Celtics have won national titles, Scripto is pushing the roller pen, which combines the best features of liquid ink, fiber tip, and ballpoint.

"Some people like to put character into their writing," Mr. McLeod says. "They stroke the letters. The roller pen allows them to put personality into their writing."

But, by the year 2000, will anybody still be taking pen—or pencil—in hand? Won't it all be paperless com-

munication through word processing and computerized letter writers?

"People have told me that writing will become obsolete," says Mr. McLeod. "I just don't believe it. They said the same thing about reading, but look at the present movement against too much TV."

"Certainly the writing instrument market is going to constrict—I think the wood-case pencil volume will shrink in favor of mechanical pencils. But the writing instrument of the future will probably be more technologically complicated, and for Scripto, that just opens up new opportunities."

"You know, when you're up against really big competition, you don't try to go through it, you go around it. Another thing: You have to look after the basic business. You don't try to become a superstar before you have mastered the basics. I'm a believer in the basics."

So are all the coaches with the most victories. •

## Expertise, Energy, and Expansion

Evan R. Katz took a \$50,000 pay cut to go to work for his father in 1972. A year later, the two of them had quadrupled the company's revenues to more than a million dollars.

"My dad wasn't overly ambitious," says Mr. Katz, who used to manage a posh country club. "He ran a nice, easy

PHOTO: LARRY JOY



Evan Katz, former manager of a country club, today publishes high fashion.

business, adequate enough to put his kids through school. But with his expertise and my energy, we had to expand."

The firm, Universal Publishers Representatives, Inc., of Scarsdale, N. Y., publishes a series of magazines that contain nothing but fashion pictures copied, with permission, from big catalog companies. The magazines are sold in Latin America, the Middle and Far East, and Africa, where ready-to-wear is still an infant industry and most clothes are homemade.

**Mere expansion of the existing business was not enough. Mr. Katz leaped from fashion magazines for foreigners to publishing the American version of "L'Officiel," a slick, French picture periodical that showcases the crème de la crème of couture collections.**

"It started from an offhand remark by one of our secretaries and from some conversation I heard at a cocktail party where people were complaining about fashion magazines," says Mr. Katz.

"So I bought a bunch of these magazines, including 'L'Officiel,' and went around to 100 affluent homes in New York City, asking women which of the magazines they would buy. More than 90 of them chose 'L'Officiel' among others."

The route from that do-it-yourself market research to the publishing phenomenon that "L'Officiel/USA" has become is explained by Mr. Katz: "It's amazing. Everything just happened right. We went to Paris to see about printing the American edition of the magazine and found out that 'L'Officiel' had the same plan in mind. We solicited subscriptions through the mail and got a six percent response—the usual is one to 1½ percent."

"We set up a separate company and sought financing and credit. No problem. We tried to sell advertising, and the advertisers courted us. We hit the market just as other fashion magazines were going through a transition and picked up a readership that had been abandoned by the big ones. After a few issues, we increased our price. Circulation went up to more than 135,000. No matter what we did, it all seemed to work."

Initially, Mr. Katz did have to sell his father, Karl Katz, on the idea. "He had to sign away everything he owned in order to get us started," says Evan Katz. "My father was 65 at the time. If he had lost it all, that would have been it. The man

really had guts to put his whole life behind his son's idea."

Maybe it was simply a question of "my son, the genius." •

## Educating Business Tenants

Kenneth D. Laub loves the wide, open spaces ... of empty office buildings in and around New York City. He is in the business of filling those spaces, using a self-designed consultant brokerage approach that has resulted in "educated" tenants and more than \$3 billion worth of real estate transactions.

Mr. Laub, who is considered something of a rebel in the real estate brokerage field because he ordinarily concentrates more on the interests of the tenant than on those of the landlord, explains his methods:

"Say IBM is looking for 150,000 square feet to rent. First we analyze their current space—how much is usable; what the base rent is; the tax, electrical, and service costs and how they have increased; and the total obligation for the term of the lease—so that IBM will know whence they came before they consider where they are going."

"Then we do a similar analysis of other alternative locations, projecting what

cost increases might be. We do a title search, and then we reduce all our findings and figures to aggregate costs, which can be expressed in so much per square foot.

"So we end up with a presentation to the corporate executive who has to make the decision. Instead of just negotiating blindly, that executive has sophisticated knowledge and can make a sound business decision. It's a potent paper approach."

**The in-depth analysis of rental history by Mr. Laub's legal, financial, and technical experts can show a tenant whether he has been overcharged in the past. It can also show landlords what specific costs are draining their profits.**

"That is unique," says Mr. Laub. "That is a rebel-type activity. But today a rebel, tomorrow a traditionalist."

What about tomorrow? Aren't many big companies leaving New York City for greener and cheaper pastures?

"Well, they were. Real estate runs in four-year cycles, usually, but we have just had a seven-year downstroke, with a significant corporate exodus from the city."

"Now the international companies are starting to move in, locating offices in New York. New York is still the financial center of this country, and it is becoming one heck of an exciting place again."

It is said that nature abhors a vacuum. So does Ken Laub. □

Kenneth Laub devotes his free time to music at the Henry Street Settlement House in New York City. Here he shows a jazz fan how to play the melodica.



## A STUNNING VICTORY

# Congress Accepts the Advice of the People

A CONGRESSIONAL DECISION to approve or reject legislation sometimes has significance that goes far beyond the terms of the specific bill.

The recent defeat in the House of Representatives of Nader-sponsored legislation to create a consumer-advocacy agency could well have been such an occasion.

Business had vigorously opposed the bill. It would have added still another layer of bureaucracy to the already crowded field of government agencies that keep the competitive enterprise system from functioning at peak efficiency.

However, the House vote on the bill may have meant something far more important to private enterprise than the forestalling of another problem for business.

This vote could mark a historical turning point at which Congress finally began to accept the reality of the inability of government to direct the commercial affairs of a diversified, independent-minded society.

With the onset of the New Deal 45 years ago, the federal government adopted the theory that more agencies, more regulators, and more spending are the proper responses to almost any expression of public concern.

But a funny thing happened on the way to utopia.

The supposed beneficiaries of regulation, the American people, began to question, then to resent, and finally to oppose the growing power of government.

Individual citizens once thought that government regulation was something that only big corporations or such nebulous victims as Wall Street or big oil need be concerned with. Those same individuals discovered over the years,

however, that government regulation was creeping into their own small businesses, their local governments and schools, their day-to-day decisions, and other aspects of their lives.

And those people did not like what was happening. They did not like the way government was interfering more and more with their rights as free citizens. They did not like the fact that more and more bureaucrats were spending more and more money on more and more regulatory schemes that were making things worse instead of better.

Those feelings gave birth to one of the most significant political developments in the modern history of this nation—the rejection by the American people of the concept that big government knows best. The vote on the consumer agency bill shows that momentous change of attitude is now beginning to have an impact on congressional performance.

In defeating the bill, Congress rebuffed its own leadership, the White House, big labor, and the pressure of the aggressive, vocal activist bloc that operates under the general leadership of Ralph Nader.

Much of the debate on the legislation went beyond the measure's specific proposals, to the larger issue of the proper role of government. Rep. Joe D. Waggoner, Jr., (D-La.) summed up the views of many members in declaring that:

"The people of this country want the government out of their lives. Only we can get the government out. . . . Make a good start and kill this bill."

One of the few encouraging notes business has had from Washington in a long time came because the House accepted that advice. □

*Nation's Business* is the "business advocate" magazine leading the effort to strengthen the vitality of the private enterprise system.

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# CHEVY'S NEW DIESEL PICKUP.

## A LOT OF MILES PER GALLON. A LOT LESS COST PER GALLON.

V8 diesel power for pickups. This could easily be the biggest truck news of 1978. And this could easily be exactly what you want in a Chevy pickup.

EPA estimates for this new V8 diesel are 27 mpg highway, 20 city and 23 combined. (California estimates are 28 hwy, 20 city and 23 combined.) Your

mileage depends on how you drive, your truck's condition, where you drive and your truck's available equipment.

Diesel fuel, itself, can amount to a significant savings. During the first four months of 1977 it averaged 9.4¢ a gallon less than unleaded gasoline, according to the *Monthly Energy Review*, June, 1977. And for simplicity of recommended maintenance, there are no spark plugs or coil to replace, no carburetor to adjust. Simply reset fuel injection timing every 30,000 miles and change the oil and filter every 3,000 miles.

## A wide range of standard equipment.

The Chevy C10 diesel pickup comes with a complete equipment package that includes the 5.7 litre V8 diesel, automatic transmission, power brakes, dual 4350-watt Delco Freedom batteries, engine oil cooler, power steering, special insulation package, dual exhaust system, 63-amp alternator, and thermostatic fan drive.

A new diesel-powered pickup. From Chevrolet, naturally. See it at your Chevy dealer soon.

Note: Chevy pickup trucks are equipped with GM-built engines produced by various divisions. See your dealer for details.

